

AR26



ANNUAL REPORTS

for the year ended
August 31

1966

SULLIVAN CONSOLIDATED MINES LIMITED ■

EAST SULLIVAN MINES LIMITED ■

HASTINGS MINING AND DEVELOPMENT CO. LTD ■

CUPRA MINES LTD. ■

QUEBEC LITHIUM CORPORATION ■

SUMMARY BALANCE SHEET
(SUBJECT TO YEAR END AUDIT)

FEBRUARY 28

	1966	1965
ASSETS		
Current assets	\$ 2,817,447.	\$ 1,679,848.
Investments, at market	2,741,254.	4,565,881.
Other assets	6,385,067.	6,496,397.
	<u>\$11,943,768.</u>	<u>\$12,742,126.</u>
LIABILITIES		
Current liabilities	\$ 27,104.	\$ 443,199.
Notes & mortgage	43,057.	50,300.
Shareholders' equity	11,873,607.	12,248,627.
2,550,000 outstanding shares	<u>\$11,943,768.</u>	<u>\$12,742,126.</u>

STATEMENT OF OPERATIONS
(SUBJECT TO YEAR END AUDIT)

Production	\$ 230,772.	\$ 761,164.
Less: freight & duty	60,709.	35,640.
	<u>170,063.</u>	<u>725,524.</u>
Deduct: costs & expenses	177,279.	707,335.
Depreciation & Amortization	92,484.	117,122.
Idle Plant expenses	54,159.	—
	<u>323,922.</u>	<u>824,457.</u>
Operating loss	153,859.	98,933.
Investment income net	590,940.	370,447.
Net profit (loss) for the 6 months	<u>\$ 437,081.</u>	<u>\$ 271,514.</u>

PER SHARE DATA

Net profit	\$0.17	\$0.11
Adjusted net profit*	\$0.18	\$0.27
Book net worth	\$4.66	\$4.80

SUMMARY BALANCE SHEET
(SUBJECT TO YEAR END AUDIT)

FEBRUARY 28

	1966
ASSETS	
Current assets	\$ 2,416,313.
Other assets	3,037,365.
	<u>\$ 5,453,678.</u>
LIABILITIES	
Current liabilities	478,432.
Due to affiliates	1,907,605.
Shareholders' equity	3,067,641.
3,000,000 outstanding shares	<u>\$ 5,453,678.</u>

STATEMENT OF OPERATIONS
(SUBJECT TO YEAR END AUDIT)

Production	\$ 5,210,607.
Less: cost of realization & freight	1,081,704.
	<u>4,128,903.</u>
Deduct: costs and expenses	795,297.
Depreciation & Amortization	251,194.
	<u>1,046,491.</u>
Operating profit	3,082,412.
Other expenses	14,778.
	<u>3,067,634.</u>
Provision for taxes	300,000.
Net profit for the 6 months	<u>\$ 2,767,634.</u>

PER SHARE DATA

Net profit	\$0.92
Book net worth	\$1.02

*NOTE: "Adjusted Net Profit" takes into account the respective total share of each Company in the total net profits earned by the group or affiliated or associated Companies.

Interim
Reports
6 months ended
February 28
1966

THE
SULLIVAN
MINING
GROUP

SULLIVAN CONSOLIDATED MINES LIMITED

SUMMARY BALANCE SHEET
(SUBJECT TO YEAR END AUDIT)

	FEBRUARY 28	
	1966	1965
ASSETS		
Current Assets	\$ 886,930.	\$ 1,422,655.
Investments, at market	20,493,168.	17,047,748.
Other assets	4,700,150.	4,580,282.
	<u>\$26,080,248.</u>	<u>\$23,050,685.</u>
LIABILITIES		
Current liabilities	\$ 221,239.	\$ 253,886.
Shareholders' equity	25,859,009.	22,796,797.
4,000,000 outstanding shares	<u>\$26,080,248.</u>	<u>\$23,050,685.</u>

STATEMENT OF OPERATIONS
(SUBJECT TO YEAR END AUDIT)

Bullion production	\$ 663,056.	\$ 827,667.
Add: gold assistance	193,000.	223,773.
	<u>856,056.</u>	<u>1,061,440.</u>
Deduct: costs and expenses.	961,026.	931,731.
Operating profit	(104,970.)	129,709.
Investment income	608,784.	521,329.
	<u>503,814.</u>	<u>651,038.</u>
Provision for taxes	—	5,700.
Net profit for the 6 months	<u>\$ 503,814.</u>	<u>\$ 645,338.</u>

PER SHARE DATA

Net profit	\$0.13	\$0.16
Adjusted net profit*	\$0.64	\$0.42
Book net worth	\$6.46	\$5.70

EAST SULLIVAN MINES LIMITED
and its subsidiary

SUMMARY CONSOLIDATED BALANCE SHEET
(SUBJECT TO YEAR END AUDIT)

	FEBRUARY 28	
	1966	1965
ASSETS		
Current assets	\$ 5,703,312.	\$ 8,006,662.
Investments, at market	18,094,875.	16,113,668.
Other assets	1,303,767.	1,146,756.
	<u>\$25,101,954.</u>	<u>\$25,267,086.</u>
LIABILITIES		
Current liabilities	288,755.	\$ 417,723.
Minority interest	186,909.	202,446.
Shareholders' equity	24,626,290.	24,646,917.
4,250,000 outstanding shares	<u>\$25,101,954.</u>	<u>\$25,267,086.</u>

CONSOLIDATED STATEMENT OF OPERATIONS
(SUBJECT TO YEAR END AUDIT)

Production	\$ 2,541,092.	\$ 2,033,678.
Less: cost of realization & freight	533,824.	526,315.
	<u>2,007,268.</u>	<u>1,507,363.</u>
Deduct: costs and expenses.	1,047,745.	1,090,082.
Operating profit	959,523.	417,281.
Investment income	983,429.	771,331.
	<u>1,942,952.</u>	<u>1,188,612.</u>
Provision for taxes	261,700.	130,800.
	<u>1,681,252.</u>	<u>1,057,812.</u>
Less: minority interest	23,312.	16,627.
Net profit for the 6 months	<u>\$ 1,657,940.</u>	<u>\$ 1,041,185.</u>

PER SHARE DATA

Net profit	\$0.39	\$0.24
Adjusted net profit*	\$0.91	\$0.52
Book net worth	\$5.79	\$5.80

HASTINGS MINING AND DEVELOPMENT CO. LTD.
and its subsidiary

SUMMARY CONSOLIDATED BALANCE SHEET
(SUBJECT TO YEAR END AUDIT)

	FEBRUARY 28	
	1966	1965
ASSETS		
Current assets	\$ 5,754,379.	\$ 4,143,786.
Investments, at cost	19,285.	19,285.
Other assets	2,084,793.	2,592,899.
	<u>\$ 7,858,457.</u>	<u>\$ 6,755,970.</u>
LIABILITIES		
Current liabilities	\$ 848,904.	\$ 675,503.
Bonds	—	—
Shareholders' equity	7,009,553.	6,080,467.
5,000,000 outstanding shares	<u>\$ 7,858,457.</u>	<u>\$ 6,755,970.</u>

CONSOLIDATED STATEMENT OF OPERATIONS
(SUBJECT TO YEAR END AUDIT)

Production	\$ 4,102,758.	\$ 7,077,309.
Less: cost of realization & freight	1,329,486.	2,431,959.
	<u>2,773,272.</u>	<u>4,645,350.</u>
Deduct: costs and expenses	771,950.	987,698.
Depreciation & Amortization	299,108.	419,080.
	<u>\$ 1,071,058.</u>	<u>\$ 1,406,778.</u>
Operating profit	1,702,214.	3,238,572.
Other income net	185,874.	8,272.
	<u>1,888,088.</u>	<u>3,246,844.</u>
Provision for taxes	620,000.	182,185.
Net profit for the 6 months	<u>\$ 1,268,088.</u>	<u>\$ 3,064,659.</u>

PER SHARE DATA

Net profit	\$0.25	\$0.61
Adjusted net profit*	\$0.31	\$0.61
Book net worth	\$1.40	\$1.22

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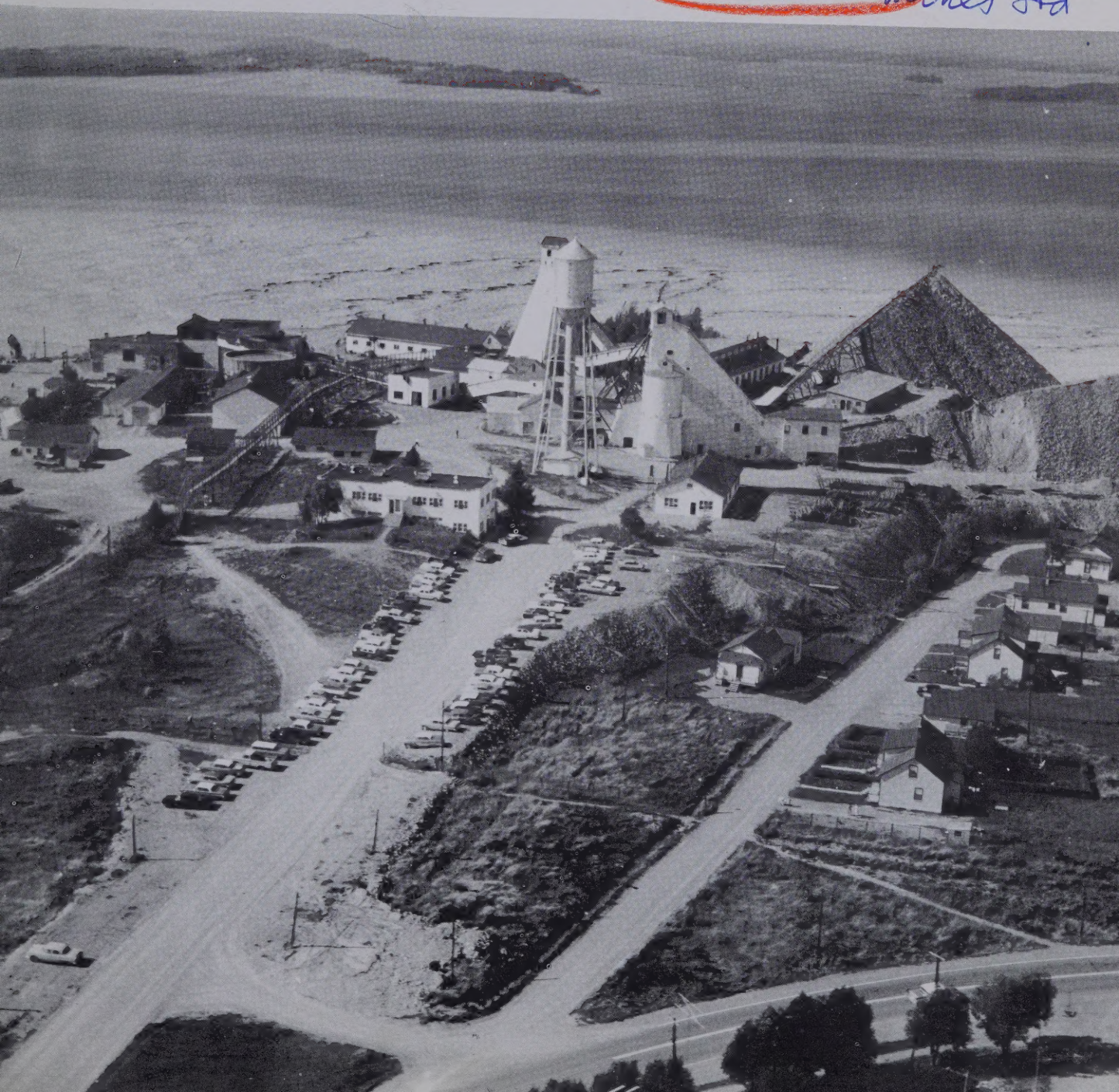
MINING IN CANADA

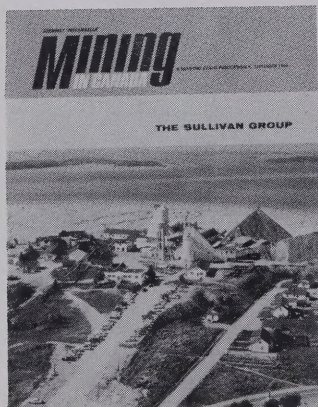
A SANFORD EVANS PUBLICATION • SEPTEMBER, 1964

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THE SULLIVAN GROUP

Consolidated Mines Ltd





THE COVER:
Sullivan Consolidated,
the mother mine
of the
Beauchemin empire.

THE SULLIVAN GROUP

Mining **IN CANADA** **SPECIAL** **REPORT**

THE SECOND in a series of corporate studies which Mining in Canada has initiated takes in the Sullivan Group of Mines, also known as the Beauchemin Group because of its founder, Pierre Beauchemin, whose direction in the building of the small empire meant much to the progress of mining in Quebec.

Mining in Canada's studies should not be construed as promotional in the field of speculation. This is not the publisher's intention but it is primarily to bring to our readers a summary of the organizations and create an awareness of those which have aided in the development and expansion of Canada's mining industry.

ROGER H. GUIMOND

THE SULLIVAN

by Roger Guimond

MINES IN PRODUCTION

Sullivan Consolidated Mines Limited,
Val d' Or, P. Q.
Incorporated in 1929.
Gold

East Sullivan Mines, Limited,
Val d' Or, P. Q.
Incorporated in 1944.
Copper-Gold-Zinc

Quebec Lithium Corporation,
Val d' Or, P. Q.
Incorporated in 1953.
Lithium

Solbec Copper Mines Ltd.,
Eastern Townships, P. Q.
Incorporated in 1959.
Copper - Zinc - Lead - Silver -
Gold - Cadmium

MINES UNDER DEVELOPMENT

Cupra Mines Limited,
Eastern Townships, P. Q.
Incorporated in 1961.
Copper - Zinc - Lead - Silver -
Gold - Cadmium

Nigadoo River Mines Limited,
Bathurst, N. B.
Reorganized in 1964.
Zinc - Lead - Silver - Cadmium

PROPERTIES ON STAND-BY

Federal Metals Corporation,
Gaspé, P. Q.
Reorganized in 1951.
Lead-Zinc

Courvan Mining Company Limited,
Val d' Or, P. Q.
Reorganized in 1961.
Gold - plus a few million tons
of low grade asbestos ore.

SULLIVAN GROUP

In thirty-years, the Sullivan Group has expanded its operations until today it has four mines in operation, others developing. Meanwhile exploration continues to broaden its scope.

FROM AN INAUSPICIOUS beginning in 1934 with a 35 ton per day mill, the culmination of eight difficult and sometimes disappointing years of exploration and development, the Sullivan Group of Mines have grown to a position of importance in the Quebec mining industry. Today the mining capacity of the group totals 6,500 tons daily.

In relation to Canada's value of metals produced during the past several years, this group of companies' portion stands at over 1% annually! This is of interest in view of such mining giants as INCO, Noranda Mines, Consolidated Mining & Smelting, Falconbridge and the large volume producers of iron ore who were in a fortunate position of being well capitalized from inception.

In the space of thirty years, from a modest beginning, the Sullivan group to date has had a global production in excess of \$188 million and it is estimated that during this time employment has been provided equivalent to 25,000 men working a full year.

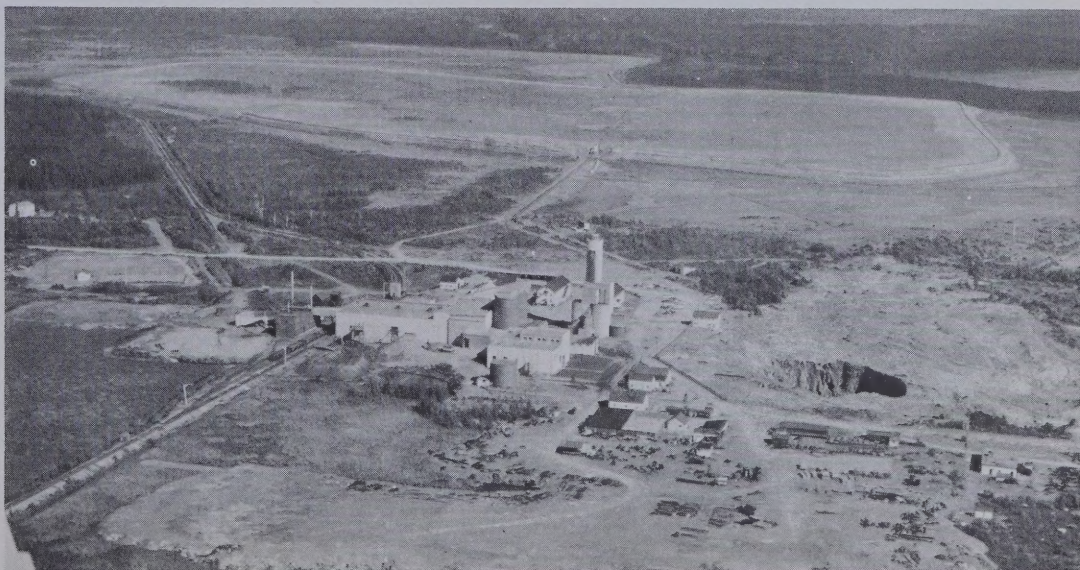
Currently over a thousand persons are employed by the organization. Directly and indirectly, the group's beneficial effects on the Province's economy is immeasurable by the many forms this takes.

Four mines are presently in operation, while two other properties are on a stand-by basis, their development depending essentially on readjustment on the price of some metals. In discussing the properties on stand-by, it should be mentioned that overall outside exploration expenditures since 1934 hover at the \$2 million mark.

A SPECIAL STRAIN OF MAN

As is usually the case with a Canadian mining organization that literally has grown from the ground up, the formation and success of the Sullivan Group

**East Sullivan
Mines Limited**





QUEBEC LITHIUM plant is the only producer in Canada.

is due primarily to the personal genius and determination of one man, Pierre Beauchemin. In the highly competitive and chancy business of discovering and developing mines, the essential ingredient for success is the ability to recognize opportunity and the courage to pursue it. Dr. Beauchemin is one of the rare and fortunate individuals to be amply endowed with both qualities.

With his brothers, Dr. Beauchemin, attracted by the challenge and the enormous potential of the mining field, turned his attention from the family lumbering business in the mid-twenties to acquire a minor interest in a 215-acre claim group in the Abitibi district near the embryonic form of what is now Val d' Or. This decision, not ignoring the conviction and effort with which it was pursued, laid the cornerstone of an empire that currently encompasses four operating mines producing gold, copper, zinc, lead, silver, cadmium and lithium.

Without the financial and technical backing of one of the senior mining companies, it is rather unusual for a small mine to find and develop other operations. The fact that this has been accomplished is a tribute to the management efficiency in allocating the relatively minute funds originally available for exploration.

"FROM A SMALL ACORN"—CONSOLIDATED

Sullivan Consolidated Mines Ltd. is the corporate foundation from which the Beauchemin Group as it now exists evolved. As well as owning the original find that formed the organization's operating nucleus, the Company also holds substantial share interest

in the other members of the group, among which the most important are: East Sullivan Mines (35.2%), Hastings Mining and Development (12%), Cupra Mines (30%) and Quebec Lithium (43.2%).

These share interests, continuously growing in importance and number, now constitute the bulk of the assets of the Sullivan Consolidated. The founding gold mine in production for over 30 years has experienced a series of expansions from the initial 35 ton per day mill, culminating in 1960 with a jump from 500 tons to the current capacity level of 750 tons daily as the progressive development of more ore supported a higher operating rate.

Even now some interesting and above-average grand ore structures have been encountered in the mine in recent development work which tends to confirm the adage that old mines, like old soldiers, only gradually fade away. However, despite the remarkable success experienced during the past few years in maintaining ore reserves around the 650,000 ton mark, the narrowing margin of profit suggests the eventual suspension of operations. Although perhaps only several more years of production remain at the recent operating rate and under current economic conditions, there are still quantities of potential ore available that could be mined profitably with a higher price for gold.

To date the shafts reach only 3000 feet in depth with no exploration and development done below.

Whether or not the long awaited devaluation of the U. S. dollar materializes in fact rather than speculation, the mine has already enjoyed a prosperous career with gold output up to the present valued at some \$35 million. This gross return not only enabled Sullivan Consolidated to pay interesting dividends, but what is possibly more important,

enabled it to acquire large share interests in other affiliates. As a result, approximately \$10 million has been paid out of the company to date.

EAST SULLIVAN AND SULLICO

The other main holding company of the group is East Sullivan Mines, which has a 98.5% interest in Sullico Mines Ltd., operating a base metal mine in the Bourlamaque area of Quebec, and which in turn holds a substantial investment portfolio, consisting principally of \$10 million in guaranteed deposits, bonds, bank, and industrial shares, a 25% interest in Sullivan Consolidated Mines, 40% of Hastings Mining and Development, 60% of Cupra Mines and 15.7% of Quebec Lithium Corporation. Sullico owes its corporate existence to the acquisition in August, 1960, of all East Sullivan's assets (including the base metal mine), in exchange for Sullico shares, with a simultaneous capital reorganization and change of name from Quebec Copper to Sullico Mines Limited. Although somewhat complex at first glance, East Sullivan wound up with fiscal advantages and precisely the assets it had before.

Operations have been conducted at the East Sullivan Mine since 1949 and originally commenced with the start-up of a 2,500 ton capacity concentrator which has since been raised to 3,000 tons daily. Since 1950 the company has disbursed \$21 million in dividends while retaining nearly as much for growth through new divisions of affiliates. The ore tenor that is currently being profitably mined is reminiscent of the large scale low grade U. S. open pit operations rather than a small underground mine. Latest reported ore reserves only totalled about 1.6 million tons with an average metal content of .84% copper, .25% zinc, .005oz. gold and .19 oz. silver. However, with the recent increases and firmness in metal prices, it is possible that economic production can be sustained for a few more years, providing that excellent cost control exercised in the past can be maintained.

Since the beginning of 1964, the prices of copper and zinc in the Canadian market have increased by 3.5¢ and 0.5¢, respectively, and in the case of copper in particular could be raised again. If the present price levels hold, East Sullivan's ore potential could be expanded significantly with a lower economic cut-off grade. As a financial entity, East Sullivan enjoys a unique position because of its cash revenue and affiliated mining interests.

A FUTURE FOR "LITHIUM"

Quebec Lithium is currently the only producer of lithium chemicals in Canada and one of the most important in the free world. A superficial comparison of this company's performance in relation to the other members of the group, however, would tend to categorize it as the poor cousin of the family. This impression, although justified by the unfavourable earnings as a result of the past several years, would be a mistaken assessment of Quebec Lithium's unquestionable importance to the Sullivan organization's future.

Fundamentally, the current problems of the lithium industry and Quebec Lithium as well, originated from the U.S. government's raw material procurement program during the fifties that artificially inflated the market for lithium products. Similar to other metal industries the fulfillment of U.S. stock-pile objectives towards the end of the decade left the lithium industry with production capacity sub-

Sullivan Group Corporate Structure

THE COMPANIES

RESPECTIVE DIRECT INTERESTS

SULLIVAN CONS	PUBLIC OWNERSHIP
EAST SULLIVAN SULLICO	PUBLIC OWNERSHIP
QUEBEC LITHIUM CORP	PUBLIC OWNERSHIP
HASTINGS MINING SULBEC	PUBLIC OWNERSHIP
CUPRA MINES LTD	
NIGADDO RIVER	PUBLIC OWNERSHIP
COURVAN MINING	PUBLIC OWNERSHIP
FEDERATED METALS CORP	PUBLIC OWNERSHIP
OUTSIDE EXPLORATION	



THE NEWEST operating mine is the Solbec copper operation in Quebec's Eastern Townships. The open pit mine can be seen behind the mill buildings.

stantially exceeding commercial demand. For Quebec Lithium in particular, which had commenced operations on a regular basis in 1956 with a 1,600 daily capacity mill geared solely to the production of lithium concentrates, the final blow fell with the cancellation of a supply contract with Lithium Corporation of America in 1959. Left with no market outlets available for the concentrate, but a \$1.9 million damage settlement from the contract cancellation, management decided to process beyond the raw material stage and in effect compete directly with its former customers. A refinery was installed late in 1960 with a planned capacity of 5 million lbs. of lithium carbonate annually and since then, with the aid of \$1 million credit from Sullico (now repaid), additional facilities were established to produce a complete line of basic lithium chemicals. During this period of experimentation with new techniques for processing lithium concentrates and tune-up of facilities, the company recorded a series of earning deficits. However, while technical improvements are still in progress that will significantly increase the efficiency of operation, the company is already the lowest cost producer of basic lithium chemicals in the free world. This was effectively demonstrated by Quebec Lithium's successful defense of the allegation that it was dumping lithium chemicals in the U.K. market below cost.

With current indications that the oversupply that continues to plague the industry will be corrected in the comparatively near future, the company has intriguing long-term prospects based on an ore reserve position estimated at 20 million tons of 1.15 percent lithium oxide, sufficient for many decades of production. Demand for lithium compounds and derivatives in recent years has grown at a rate of approximately 25 per cent annually. Besides the already firmly developed applications in special glasses and

ceramics, as an additive in greases and as a flux and catalyst in the chemical industry, there are many other large volume uses on the horizon. The unique chemical characteristics of the metal have been aided by the low price in the past several years in encouraging new applications.

However, improvement in the earnings performance of Quebec Lithium will not have to wait for a price increase in lithium products to materialize. Sales have expanded significantly in the European market recently and the company's 24 per cent interest in Hastings Mining and Development has now netted an initial \$220,000 in dividend income.

It is noteworthy that this investment in Hastings has a market value currently of \$4,400,000 in comparison to the cost price of about \$200,000 only several years ago.

TWO MORE MINES

The newest operating mine of the Sullivan Group is controlled by Hastings Mining and Development through its 100% owned subsidiary Solbec Copper Mines. Hastings has as well a 10% interest in Cupra Mines. The Solbec copper-lead-zinc property, located in the Eastern Townships of Quebec, was put into production in February, 1962 with a mill now officially rated at 1,500 tons daily capacity. After only 24 months of effective operation (a strike halted production for 5 months in fiscal 1963), the capital cost of the mill and auxiliary facilities (about 5 million) has already been fully recovered. The fact that smelter returns are based on London Metal Exchange quotations has greatly enhanced the profitability of the

operation in the past year. Management reports that unaudited net profit from the mine for fiscal 1964 is very close to 4 million. With proven ore reserves placed at over 1 million tons grading copper, 3.79 zinc and .51 lead, plus silver and gold values and the favourable geologic conditions still to be investigated, it is readily apparent that the mine is a resounding financial success for the Sullivan group.

CUPRA MINES LTD.

Cupra Mines Ltd., presently under development, will be in production by late 1965. Although the deposit is short and narrow, its depth consistence is remarkable. The copper content is fairly high, grading 3.6 per cent with 3.4 per cent zinc, 0.6 per cent lead, and approximately \$3.00 per ton in gold and silver. Management estimates reserves in the order of 1.3 million tons to the 1800 foot level. Additional drilling below this level should improve the ore picture. As a source of earnings for the Sullivan Group it promises to be as lucrative as the Solbec deposit.

CROSSING QUEBEC'S BORDER

Nigadoo River Mines Limited is the latest mining venture of the Sullivan Group. This is the first departure of the organization into an area outside the province of Quebec. Control of the company was acquired just recently with most of the interest held by East Sullivan and Sullivan Consolidated to the extent of 79% of the issued shares.

The property, located near Bathurst, New Brunswick, is in close proximity to the Brunswick Mining and Smelting zinc refinery. Exploration work previously accomplished in a period between 1956 and 1958 by the previous owners revealed the presence of about 1.5 million tons of low grade zinc-lead ore with high silver and cadmium values as well as some copper and bismuth. Several veins parallel to the main discovery of zone have shown considerable promise in preliminary work, but still remain unexplored. Drilling performed by the exploration branch of the Sullivan Group to date has largely confirmed previous results and a new headframe has been built over the old mine shaft.

Management feels that the Nigadoo property resembles, to a major extent, the Solbec Mine in terms of potential at this stage of development. Based on information currently available, it is estimated that the cadmium and silver content will be more than sufficient to cover operating costs. Considerably more work will be required, however, before a definite assessment of the economics of establishing a mining operation can be made.

THE GROUP AS A UNIT

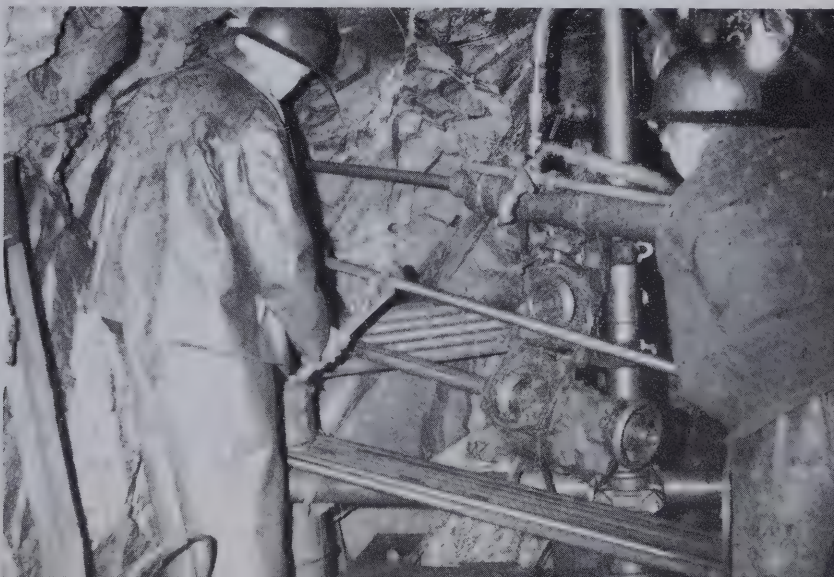
Together the Sullivan Companies, eliminating the interlocking stock ownership, command net assets of over \$31.4 million (conservatively stated shareholders' equity as at August 31, 1963). Preliminary unaudited earnings for 1964 indicated a net profit of over \$5 million for the group as a whole, after deducting \$700,000 in taxes and mining rights and \$1.1 million in depreciation and amortization expenses. This represents a net return on shareholders' equity of over 16% which is exceptionally good for any mining organization or industrial complex.

The future earning power of the organization based on currently known ore reserves and other sources of income is by no means considered to have reached its peak. Management conservatively projects gross profits - before depreciation, taxes and mining rights - of over \$47 million between the fiscal years 1963 and 1971.

Of this, the old mines of the group, the East Sullivan and Sullivan Consolidated are only expected to provide about 9½ per cent and underlines the importance of the more recently developed operations. The public's participation in this growth through dividend disbursement could be in the order of 36 per cent of gross profits according to management projection, but of course would be governed by circumstances that prevail during that period.

With the knowledge that all mining operations are wasting assets, the Sullivan group is not standing pat with the remarkable progress it has already achieved. Outside exploration expenditures will be in the order of \$400,000 per annum for the next several years.

This represents 7% of the total gross profit anticipated. The amount of funds allocated for exploration in terms of available cash compares very favourably with other mining organizations and is a definite indication of the Sullivan group's determination to continue the performance of past years.



Exploratory Diamond Drill Hole at Solbec using a J. V2 machine, a type core, Boyles Bros. diamond bits.



CUPRA MINES LIMITED'S main building and 135-foot steel headframe. The ore will be processed at the Solbec mill two miles distant. Cupra will be in production in September, 1965.



AS ORE IS TRUCKED from the Cupra property, it will be dumped on the surface grizzly, conveyed to a surface jaw crusher and then fed to the Solbec mill.





Pierre Beauchemin

Dr. Pierre Beauchemin, president of the Sullivan Group of companies and Quebec's number one mine-maker, began his industrial career along with his brothers as a lumber operator in the Abitibi region. After several successful years, a bad turn of events in 1921, brought about by the then post war depression, made him arrive at the decision to make a drastic change which brought the four associates into the field of mining.

The start was a \$30,000 bank loan to buy a minority interest in what became Sullivan Consolidated, mother of the present complex. From there the four brothers never looked back and under the leadership of the youngest, Pierre Beauchemin, went on to acquire East Sullivan and from there to other properties making up the existing group.

To him his work in the field of mining is more than bread and butter — it is his life. Now at the age when younger men think of retiring, he puts in a full working day in close supervision to his organization's affairs. With an unsurpassed love for mining and his native province, Dr. Beauchemin denies the fact that there is such little interest in this field by residents of Quebec relative to that given to industry in general.

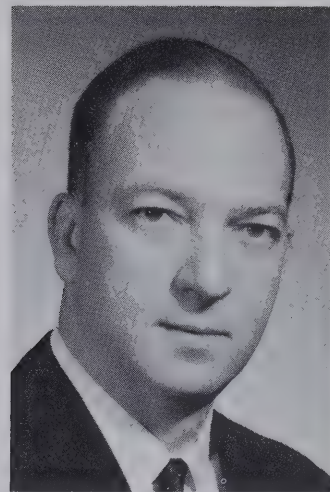
Apart from being head of the Sullivan Group and also of the individual companies forming the organization, he is a director of the Banque Canadienne Nationale as well as a director of General Trust of Canada. In 1954 he was the recipient of a Doctorate in Sciences "Honoris Causa" from Universite Laval of Quebec.

Mining has been good to him, but reaching this state was the acceptance of challenge, astute thinking, stubbornness and a "hellish" lot of hard work.



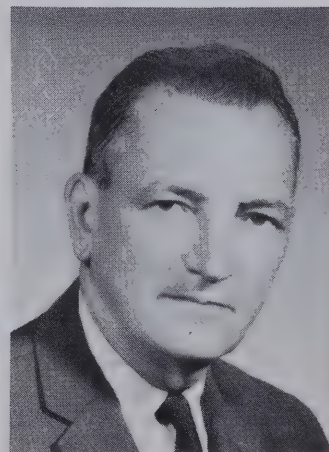
Lucien Beliveau

An unusual administrator, Lucien Beliveau, climbed the organization's ladder from a simple beginning as underground worker, after graduating from Laval University with a Bachelor of Science degree "cum laude". Recipient of C.I.M.M.'s Past President Memorial Medal in recognition of his success in mining operation and administration, he holds a number of titles: general managerships of Sullivan Consolidated, Quebec Lithium, East Sullivan and Solbec Copper. He is also a director of the first three companies as well as of Noranda Copper & Brass.



Andre Beauchemin

Next to the president, the driving force is his son, Andre Beauchemin, secretary-treasurer of the companies in the Sullivan Group. He is also director of several making up the complex including vice-president, production and sales, of Quebec Lithium Corporation. It was under his direction that the company went into diversification in the production of lithium products.



Maurice Scott

Keenly analytical in the field of economic geology, Maurice Scott, exploration manager and twenty-five years with the organization, has been largely responsible for the organization's success in finding new mines. He is also a director of Hastings Mining and Development, Solbec Copper, Federal Metals, Courvan Mining, and Vice-President of Eastern Explorers Corporation.

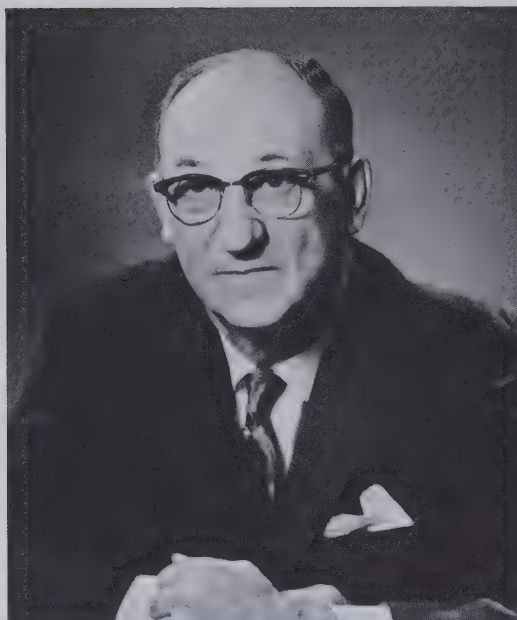
THE SULLIVAN MINING GROUP

HIGHLIGHTS

	Fiscal years	1965-66	1964-65
TOTAL VALUE OF PRODUCTION		\$25,737,688.	\$21,482,114.
TOTAL COSTS OF REALIZATION		<u>6,012,147.</u>	<u>5,928,528.</u>
TOTAL MINE REVENUES		19,725,541	15,553,586.
TOTAL MINE PRODUCTION COSTS.		<u>9,060,280.</u>	<u>8,064,025.</u>
TOTAL OPERATING PROFITS		10,665,261.	7,489,561.
TOTAL OTHER INCOME inclusive of inter-affiliates dividends, minus other deductions		<u>9,200,901.</u>	<u>4,128,192.</u>
TOTAL PROFIT BEFORE TAXES		19,866,162.	11,617,753.
LESS:			
TOTAL QUEBEC MINING DUTIES AND INCOME TAXES		<u>2,783,410.</u>	<u>730,664.</u>
TOTAL NET PROFITS inclusive of inter-affiliates dividends		17,082,752.	10,887,089.
LESS INTER-AFFILIATES DIVIDENDS		<u>8,907,851.</u>	<u>3,211,406.</u>
GLOBAL NET PROFITS		<u>\$ 8,174,901.</u>	<u>\$ 7,675,683.</u>
Note:			
TOTAL DEPRECIATION AND AMORTIZATION		1,759,647.	1,154,354.
TOTAL DIVIDENDS PAID BY THE GROUP TO OTHER SHAREHOLDERS		3,117,449.	2,701,094.

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Cupra Mines Ltd.	31 – 38
Quebec Lithium Corporation	39 – 45
Outside Exploration	46 – 48



PIERRE BEAUCHEMIN, Dr. es. Sc.

President of
Sullivan Consolidated Mines Limited
East Sullivan Mines Limited
Hastings Mining and Development Co. Ltd.
Quebec Lithium Corporation
Cupra Mines Ltd.
D'Estrie Mining Company Ltd.
Courvan Mining Company Limited
Federal Metals Corporation
Nigadoo River Mines Ltd.

Director of
National Canadian Bank
General Trust of Canada

SULLIVAN CONSOLIDATED MINES LIMITED

BOARD OF DIRECTORS

Lt. Col. J. Roméo Gauvreau, Eng.
Chairman of the Board
Dr. Pierre Beauchemin
President
Jean Beauchemin
Vice-President
Lucien C. Béliveau, Eng.
General Manager
J. Jacques Beauchemin, Attorney
P. Ernest Beauchemin, Attorney
J. Ernest Laforce

OTHER OFFICERS

André Beauchemin, Eng.
Secretary-Treasurer
Réal J. Lafleur
Assistant Secretary-Treasurer
J. P. Bonneville, Eng.
Mine Manager
Maurice Scott, Eng.
Consulting Geologist

AUDITORS

Anderson & Valiquette
Montreal, Que.

BANK

National Canadian Bank

TRANSFER AGENTS

Eastern and Chartered Trust Company
Montreal and Toronto
Bankers Trust Company
New York, U.S.A.

LISTED

Canadian Stock Exchange
Toronto Stock Exchange

MINE OFFICE

Sullivan Mines, Abitibi, Que.

HEAD OFFICE

Suite 1403, 507 Place d'Armes
Montreal, Que.

ANNUAL MEETING

December 9, 1966 at 9.15 a.m.
Windsor Hotel, Montreal, Que.

DIRECTORS' REPORT

SOLBEC



SULLIVAN CONSOLIDATED MINES LIMITED

November 4, 1966

The Board of Directors hereby submits the Annual Report of your Company covering the fiscal year ended August 31, 1966.

FINANCIAL HIGHLIGHTS

Here is a tabulation covering the last ten fiscal periods, on a per share basis.

Fiscal period	1965-6	1964-5	1963-4	1962-3	1961-2	8 months		1959	1958	1957
Net profit	\$0.49	0.30	0.16	0.10	0.06	0.05	0.03	0.01	(0.03)	0.03
Adjusted net Profit*	\$1.09	0.82	0.50	0.20	0.22	0.10	0.03	0.10	(0.02)	0.07
Book net worth at end of period	\$5.83	5.95	4.68	3.59	3.32	4.13	3.00	3.11	3.60	3.97
Dividends paid	\$0.30	0.25	0.12	0.05	—	—	—	—	—	0.06

*Including undistributed profits or losses of affiliated companies.

The fiscal year just ended is the eighth consecutive period during which the net profits and the financial situation of your company improved substantially. The net profit amounted to \$1,944,150 compared to \$1,202,672 the preceding year. \$744,150 were allocated to retained profits. The financial situation of your company is such that it advantageously pursues its activities in the field of management, financing, research, development and successful operations of new mines. To that effect, loans and advances to affiliated companies were increased by \$459,858 during the period, reaching a total of \$1,658,555.

DIVIDENDS

Dividends paid during the fiscal year amounted to \$1,200,000 representing \$0.30 per share. Dividends are now paid on a quarterly basis, the first of such payments being \$0.08 per share was paid on September 19, 1966. Since the inception of the company, a total of \$12,600,000 has been distributed to the shareholders, representing \$3.15 per share.

THE "SULLIVAN MINING GROUP"

The net profits of the "Sullivan Mining Group" during the fiscal year were \$8,174,901 compared to \$7,675,683 the previous year and the share of your company in these profits amounts to \$4,345,490 and \$3,284,585 respectively. During the coming years, the profits earned by the Group should be very satisfactory, mainly from the successful operations at Cupra Mines Ltd., and later at D'Estrie Mining Company Ltd., which owns and presently develops the downward extension of the Cupra deposit. The net effective interest of your company in Cupra Mines Ltd. is 63% and 65% in D'Estrie Mining Company Ltd. For eleven months of production during the period ended August 31, 1966, the net profit of "Cupra" was \$5,768,329.

The end of the year 1966 will witness three important events for the Sullivan Mining Group:

1. The exhaustion of the ore at the Sullico property with closure of the plant.
2. The closure of the Sullivan "Gold Mine and plant", due to unprofitable operations.
3. The indefinite suspension of operations at Quebec Lithium due to insufficient outlets and depressed markets; moreover, a new "cheap source" of lithium, (a dry lake, at Silver Peak, Nevada, U.S.A.) has jeopardized lithium operations depending on conventional ore deposits.

Your directors had to ratify these three important decisions. The funds generated from the disposals of the assets of these companies will be better used in exploration and development of new metal mines.



CUPRA



NIGADOO

RECENT ACQUISITION

A mining property located in Northumberland county of New Brunswick was optioned last March from Chesterville Mines Ltd. Your company, Sullico Mines Limited, Solbec Copper Mines, Ltd. and Quebec Lithium Corporation share equally in this new venture.

If and when the option is exercised, a new company will be incorporated and the above named companies of the "Sullivan Mining Group" will share up to 77.5% of the authorized capital. The net effective interest of Sullivan Consolidated Mines Limited in the new company would be 48%.

Since March 1966, 25,000 feet of surface diamond drilling have been done on a zone that could be mined by open pit methods. Approximately 2 million tons of ore are indicated grading 0.9% Copper, 2.3% Zinc, 0.9% Lead and 0.3 ounce of Silver per ton. Also appreciable quantities of cadmium and bismuth have been indicated by preliminary tests.

Previous drilling had also indicated the extension of the zone at depth, for a length of 2,500 feet and a width of 500 feet. In that extension, copper is the only valuable mineral involved. Over a million tons of ore grading 1.7% can be calculated to date. Much more drilling will be required to establish the tonnage and the grade involved. Your directors consider this property as a valuable prospect.

NIGADOO RIVER MINES LTD.

Your company owns a net effective interest of 51% in this new venture presently under development. The underground work to date has given access to approximately 20% of the zone indicated by surface drilling. So far results are most encouraging. Up to August 31, 1966, your company has advanced \$1,250,000 to finance the development and plant construction. A 1000 tons per day mill, now under construction, will be ready for production next fall. The Nigadoo mining property is located near Bathurst, New Brunswick.

OUTSIDE EXPLORATION

Your company, in association with other companies of the Sullivan Mining Group, executed more exploration work during the period than ever before. Your company's share of such exploration costs was \$193,804.

The report of our exploration manager provides more detailed information for your reference. The exploration for new ore deposits ensures the future success of your company.

GENERAL

The Annual Meeting of Shareholders will be held at the Windsor Hotel, on December 9, 1966. All shareholders are cordially invited to attend.

Your directors wish to express their appreciation to the officers and personnel of your Company for their loyal services.

On Behalf of the Board of directors

President

SULLIVAN CONSOLIDATED MINES LIMITED

(Incorporated under the Quebec Companies' Act)

ASSETS

	August 31 1966	August 31 1965
CURRENT ASSETS:		
Cash on hand and in bank	\$ 632,186.	\$ 112,204.
Time deposits	50,000.	300,000.
Marketable securities: bonds at market value — Annex II	146,075.	246,750.
Bullion at net realizable value	95,218.	129,493.
Receivable under the Emergency Gold Mining Assistance Act — estimated	108,586.	117,181.
Accounts receivable	23,072.	20,851.
Accrued interest	3,543.	12,685.
Mining, milling and refinery supplies — valued at average cost	170,651.	237,953.
Prepaid expenses	18,678.	21,485.
	<u>1,248,009.</u>	<u>1,198,602.</u>
 INVESTMENTS IN AFFILIATED COMPANIES — Annex II:		
Shares at market value	14,695,114.	16,594,962.
Shares valued as per shareholders' equity on 1966 balance sheet — at cost in 1965: Cupra Mines Ltd.	769,751.	82,500.
Other shares at cost	425,647.	365,958.
Loans and advances	1,658,555.	1,198,697.
	<u>17,549,067.</u>	<u>18,242,117.</u>
 MORTGAGES RECEIVABLE AND OTHER SECURITIES	<u>37,000.</u>	<u>15,000.</u>
 FIXED ASSETS:		
Mining properties at cost	4,084,273.	4,084,273.
Buildings, plant and equipment at cost less accumulated depreciation of \$2,090,796	306,592.	322,877.
	<u>4,390,865.</u>	<u>4,407,150.</u>
 OUTSIDE EXPLORATION EXPENDITURES less amounts written off	<u>212,191.</u>	<u>206,710.</u>
	<u>\$23,437,132.</u>	<u>\$24,069,579.</u>

Approved on behalf of the Board of Directors
LUCIEN C. BÉLIVEAU
J.-JACQUES BEAUCHEMIN

AUDITORS' REPORT TO THE SHAREHOLDERS

BALANCE SHEET

as at August 31, 1966

(With comparative figures as at August 31, 1965)

LIABILITIES

CURRENT LIABILITIES:

	August 31 1966	August 31 1965
Accounts payable and accrued expenses	\$ 56,414.	\$ 203,099.
Wages payable	40,428.	46,903.
Unclaimed dividends	11,473.	11,522.
Provision for Quebec mining profits tax	—	6,400.
	<u>108,315.</u>	<u>267,924.</u>

CAPITAL STOCK:

Authorized, issued and fully paid:		
4,000,000 Common shares of \$1.00 par value	4,000,000.	4,000,000.

CONTRIBUTED SURPLUS — proceeds from sale of donated capital stock	361,384.	361,384.
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RETAINED PROFITS, as per statement 2	<u>5,424,764.</u>	<u>4,680,614.</u>
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	9,786,148.	9,041,998.
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UNREALIZED APPRECIATION on investments	<u>13,542,669.</u>	<u>14,759,657.</u>
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SHAREHOLDERS' EQUITY	<u>23,328,817.</u>	<u>23,801,655.</u>
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	<u>\$23,437,132.</u>	<u>\$24,069,579.</u>
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NOTE 1 — Annex I: Statement of source and application of funds.

NOTE 2 — Annex II: Schedule of investments as at August 31, 1966.

We have examined the balance sheet of Sullivan Consolidated Mines Limited as at August 31, 1966 and the related statements of operations, retained profits and contributed surplus for the year ended on that date and we have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion and according to the best of our information and the explanations given to us and as shown by the books of the Company, the annexed balance sheet and statements of operations, retained profits and contributed surplus, supplemented by the notes to financial statements, are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the Company as at August 31, 1966 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles, applied on a basis consistent with that of the previous year, except where mentioned in the case of Investments in affiliated companies on the balance sheet.

Montreal, October 31, 1966.

ANDERSON & VALIQUETTE
Chartered Accountants

SULLIVAN CONSOLIDATED MINES LIMITED

RETAINED PROFITS

Statement 2

	August 31 1966	August 31 1965
BALANCE at beginning of year	\$4,680,614.	\$4,477,942.
ADD: Net profit for year ended August 31	<u>1,944,150.</u>	<u>1,202,672.</u>
	6,624,764.	5,680,614.
DEDUCT: Dividends paid	<u>1,200,000.</u>	<u>1,000,000.</u>
Balance at the end of the year, carried to Balance Sheet	<u>\$5,424,764.</u>	<u>\$4,680,614.</u>

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Annex I

CURRENT ASSETS as at August 31, 1965	\$1,198,602.	
CURRENT LIABILITIES as at August 31, 1965	<u>267,924.</u>	\$ 930,678.
SOURCE OF FUNDS:		
Net profit for the year	1,944,150.	
Depreciation	36,016.	
Sales of fixed assets — net	<u>583.</u>	<u>1,980,749.</u>
		2,911,427.
APPLICATION OF FUNDS:		
Dividends paid to shareholders	1,200,000.	
Purchases of shares in affiliated companies	63,779.	
Advances to affiliated companies	459,858.	
Decrease in unrealized appreciation of marketable securities	300.	
Additions to fixed assets	20,315.	
Outside exploration expenditures	5,481.	
Mortgage loan	<u>22,000.</u>	<u>1,771,733.</u>
		<u>\$1,139,694.</u>
CURRENT ASSETS as at August 31, 1966		1,248,009.
CURRENT LIABILITIES as at August 31, 1966		<u>108,315.</u>
WORKING CAPITAL AS AT AUGUST 31, 1966		<u>\$1,139,694.</u>

STATEMENT OF OPERATIONS

for the year ended August 31, 1966

(With comparative figures as at August 31, 1965)

	August 31 1966	August 31 1965
BULLION PRODUCTION	\$1,298,645.	\$1,581,084.
LESS: Mint and handling charges	9,752.	11,400.
	<u>1,288,893.</u>	<u>1,569,684.</u>
DEDUCT:		
Development and exploration	190,527.	248,088.
Mining expense	1,038,914.	1,007,619.
Milling expense	369,898.	374,705.
General mine overhead	93,520.	86,634.
Depreciation of buildings, plant and equipment.	36,016.	38,054.
General administration expenses	66,445.	71,746.
	<u>1,795,320.</u>	<u>1,826,846.</u>
DEDUCT: Estimated cost aid	363,792.	407,192.
	<u>1,431,528.</u>	<u>1,419,654.</u>
OPERATING PROFIT (loss in 1966)	(142,635.)	150,030.
Outside exploration expenditures written off	124,548.	64,167.
	<u>(267,183.)</u>	<u>85,863.</u>
OTHER INCOME:		
Dividends	2,184,052.	1,053,867.
Interest	25,823.	41,458.
Profit on sale of shares in affiliated company	—	26,437.
Net profit on disposal of fixed assets	1,458.	1,581.
	<u>2,211,333.</u>	<u>1,123,343.</u>
PROFIT BEFORE TAXES	1,944,150.	1,209,206.
Provision for Quebec mining tax	—	6,534.
Net profit for the year, carried to Retained profits	<u>\$1,944,150.</u>	<u>\$1,202,672.</u>

SULLIVAN CONSOLIDATED MINES LIMITED

SCHEDULE OF INVESTMENTS

Annex II

as at August 31, 1966

MARKETABLE SECURITIES		Cost	Market value
Bonds		\$ 151,500.	\$ 146,075.
SHARES IN AFFILIATED COMPANIES			
	Total shares held	Market price as at August 31, 1966	
Courvan Mining Co. Ltd.	606,688	\$0.18	109,204.
East Sullivan Mines Limited	1,561,850	7.00	10,932,950.
Hastings Mining & Development Co. Ltd.	588,550	1.90	1,118,245.
Quebec Lithium Corporation	1,102,050	2.30	2,534,715.
		<u>\$1,834,271.</u>	<u>\$14,695,114.</u>
Cupra Mines Ltd.			<u>Valuation</u>
Valued as per shareholders' equity on 1966 balance sheet — cost in 1965	900,000	\$ 82,500.	\$ 769,751.
OTHER SHARES AT COST			
Eastern Explorers Corp.	183,339*	7,846.	No current market value **
Federal Metals Corp.	567,935*	294,412.	
Nigadoo River Mines Ltd.	756,413	53,759.	
Peninsula Metals Corp.	100,007*	9,945.	
D'Estrie Mining Co. Ltd.	596,852	59,685.	
		<u>\$ 425,647.</u>	
LOANS AND ADVANCES			
Cupra Mines Ltd.		300,000.	
Nigadoo River Mines Ltd.		1,250,000.	
D'Estrie Mining Co. Ltd.		105,000.	
Sundries		3,555.	
		<u>\$1,658,555.</u>	

*Inclusive of the following pooled shares:

Eastern Explorers Corp.	183,333
Federal Metals Corp.	67,935
Peninsula Metals Corp.	100,000

**The expression "No current market value" is not meant to imply that these shares are without value.

MINE MANAGER'S REPORT

October 11, 1966

The President and Directors,
SULLIVAN CONSOLIDATED MINES LIMITED

Gentlemen:

The present report covers the operations at your property for the year ended August 31, 1966.

MILLING

255,690 tons of ore were hoisted during the year. The bullion produced amounted to 34,192 ounces of gold and 7,376 ounces of silver for a total value of \$1,298,645.

PRODUCTION SOMMARY

Ore Hoisted.....	255,690 Tons at 2.80 DWT = 716,712 DWT
Waste Sorted.....	19,500 Tons
Ore to Flotation.....	236,190 Tons at 3.03 DWT = 716,712 DWT
Tailings.....	236,190 Tons at 0.14 DWT = 32,861 DWT
Production.....	236,190 Tons at 2.89 DWT = 683,851 DWT

DEVELOPMENT

All underground development such as drifting, cross-cutting, diamond drilling was drastically curtailed during the year with none whatever being done in the final quarter of the fiscal year. No ore lengths were developed.

ORE RESERVES

Tonnage of ore reserves at September 1, 1965 was calculated at 600,000 tons. During the year, 256,000 tons were treated. Because of substantial increases in labour and material costs, the mining of a large percentage of the remaining tonnage could not be considered profitable any more. Therefore, the mine was reduced to a salvage operation.

GENERAL REMARKS

On July 22, 1966 a collective agreement was signed with the United Steelworkers of America, adjusting the wages retroactively to May 25, 1966.

The fiscal year ended August 31, 1966 felt the full force of the 11% federal sales tax on mining materials. This added expense, coupled with the cost of the compulsory pension plan instituted in January 1966, and the continually increasing cost of materials have proven too much to be balanced by increased efficiencies.

I wish to extend sincere thanks to the President, the General Manager and the Board of Directors for their help and guidance.

Respectively Submitted,

J. P. BONNEVILLE, Eng.,
Mine Manager

EAST SULLIVAN MINES LIMITED

(No Personal Liability)

BOARD OF DIRECTORS

Dr. Pierre Beauchemin
President

Lt. Col. J. Roméo Gauvreau, Eng.
Vice-President

Lucien C. Béliveau, Eng.
General Manager

J. Jacques Beauchemin, Attorney

P. Ernest Beauchemin, Attorney

Jean Beauchemin

Claude Beauchemin, Attorney

OTHER OFFICERS

André Beauchemin, Eng.
Secretary-Treasurer

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Assistant Secretary-Treasurer

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LISTED

Canadian Stock Exchange
Toronto Stock Exchange

MINE OFFICE

Val d'Or, Abitibi, Que.

HEAD OFFICE

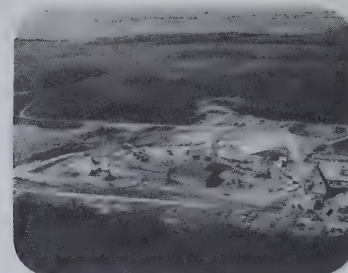
Suite 1403, 507 Place d'Armes
Montreal, Que.

ANNUAL MEETING

December 9, 1966 at 10.30 a.m.
Windsor Hotel, Montreal, Que.

DIRECTORS' REPORT

SOLBEC



EAST SULLIVAN MINES LIMITED

November 4, 1966

The Board of Directors hereby submits the twenty-second Annual Report of your Company for the fiscal year ended August 31, 1966.

FINANCIAL HIGHLIGHTS

Here is a tabulation covering the last ten fiscal periods, on a per share basis.

Fiscal period	1965-6	1964-5	1963-4	1962-3	1961-2	8 months		1959	1958	1957
Net profit	\$1.14	0.52	0.33	0.22	0.33	0.16	0.15	0.11	(0.06)	0.02
Adjusted net Profit*	\$1.61	1.04	0.70	0.33	0.45	0.17	0.15	0.13	(0.07)	0.04
Book net worth, at end of period	\$5.87	5.69	5.30	3.77	3.77	3.88	3.19	3.09	3.18	3.33
Dividends paid	\$0.50	0.45	0.29	0.15	0.10	0.10	—	—	—	0.15

*Including undistributed profits or losses of affiliated companies.

NET PROFIT

The net profit for the fiscal year amounted to \$4,831,453 compared to \$2,212,527 the preceding year. Dividends from "Cupra", "Hastings" and "Sullivan Consolidated" accounted for the major part of these profits. No important change is expected in that source of earnings for the next few years. The operations of the near exhausted "Sullico" copper mine were quite successful and netted \$1,659,841 before provision for Quebec Mining Duties and income taxes which totalled \$647,149.

DIVIDENDS

Dividends paid during the fiscal year amounted to \$2,125,000 representing \$0.50 per share. Dividends are now paid on a quarterly basis, the first of such payments being \$0.15 per share was paid on September 19, 1966. Since the inception of the company, a total of \$26,036,750 has been distributed to the shareholders, representing \$6.13 per share.

FINANCES

Again, the financial position of your company has improved substantially; \$2,724,680 were allocated to retained profits which now stand at \$11,846,112. The financial position of your Company is such that it can advantageously pursue its activities in the field of management, financing, research, development and successful operations of new mines. To that effect, loans and advances to affiliated Companies were increased by \$2,670,252 during the last period, reaching a total of \$5,067,110 at August 31, 1966. The working Capital was \$6,339,559 compared to \$6,740,104 at the end of the preceding year.

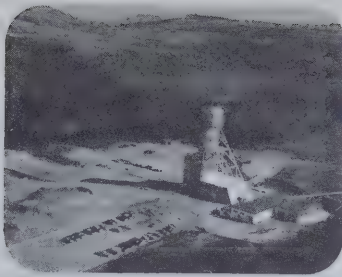
THE "SULLIVAN MINING GROUP"

The net profits of the "Sullivan Mining Group" during the fiscal year were \$8,174,901 compared to \$7,675,683 the previous year and the share of your company in these profits amounts to \$6,342,624 and \$4,405,926 respectively. During the coming years, the profits earned by the Group should be very satisfactory, mainly from the successful operations at Cupra Mines Ltd., and later at D'Estrée Mining Company Ltd. which owns and presently develops the downward extension of the Cupra deposit. The net effective interest of your company in Cupra Mines Ltd. is 82% and 84% in D'Estrée Mining Company Ltd. For eleven months of production during the period ended August 31, 1966, the net profit of "Cupra" was \$5,768,329.

The end of the year 1966 will witness three important events for the Sullivan Mining Group:

1. The exhaustion of the ore at the Sullico property with closure of the plant.
2. The closure of the Sullivan "Gold Mine and plant", due to unprofitable operations.

CUPRA



NIGADOO



3. The indefinite suspension of operations at Quebec Lithium due to insufficient outlets and depressed markets; moreover, a new "cheap source" of lithium, (a dry lake, at Silver Peak, Nevada, U.S.A.) has jeopardized lithium operations depending on conventional ore deposits.

Your directors had to ratify these three important decisions. The funds generated from the disposals of the assets of these companies will be better used in exploration and development of new metal mines.

RECENT ACQUISITION

A mining property located in Northumberland county of New Brunswick was optioned last March from Chesterville Mines Ltd. Your affiliated company Sullico Mines Limited, Sullivan Consolidated Mines Limited, Solbec Copper Mines, Ltd., and Quebec Lithium Corporation share equally in this new venture.

If and when the option is exercised, a new company will be incorporated and the above named companies of the "Sullivan Mining Group" will share up to 77.5% of the authorized capital. The net effective interest of East Sullivan Mines Limited in the new company would be 44%.

Since March 1966, 25,000 feet of surface diamond drilling have been done on a zone that could be mined by open pit methods. Approximately 2 million tons of ore are indicated grading 0.9% Copper, 2.3% Zinc, 0.9% Lead and 0.3 ounce of Silver per ton. Also appreciable quantities of cadmium and bismuth have been indicated by preliminary tests.

Previous drilling had also indicated the extension of the zone at depth, for a length of 2,500 feet and a width of 500 feet. In that extension, copper is the only valuable mineral involved. Over a million tons of ore grading 1.7% can be calculated to date. Much more drilling will be required to establish the tonnage and the grade involved. Your directors consider this property as a valuable prospect.

NIGADOO RIVER MINES LTD.

Your company owns a net effective interest of 66% in this new venture presently under development. The underground work to date has given access to approximately 20% of the zone indicated by surface drilling. So far results are most encouraging. Up to August 31, 1966, your company has advanced \$2,500,000. to finance the development and plant construction. A 1000 tons per day mill, now under construction, will be ready for production next fall. The Nigadoo mining property is located near Bathurst, New Brunswick.

OUTSIDE EXPLORATION

Your company, in association with other companies of the Sullivan Mining Group, executed more exploration work during the period than ever before. Your company's share of such exploration costs was \$420,475.

The report of our exploration manager provides more detailed information for your reference. The exploration for new ore deposits ensures the future success of your company.

GENERAL

The Annual Meeting of the Shareholders will be held at the Windsor Hotel, on December 9, 1966. All shareholders are cordially invited to attend.

Your directors wish to express their appreciation to the officers and personnel of your Company for their loyal services.

On Behalf of the Board of Directors

Simon Duchemin
President

EAST SULLIVAN MINES LIMITED(No Personal Liability)
and its subsidiary**SULLICO MINES LIMITED**

(No Personal Liability)

(Incorporated under the Quebec Mining Companies' Act)

ASSETS

	August 31 1966	August 31 1965
CURRENT ASSETS:		
Cash on hand and in bank	\$ 778,676.	\$ 39,135.
Time deposits	1,200,000.	460,000.
Marketable securities at market value — Annex II:		
Bonds	2,293,827.	3,009,637.
Bank, public utility and industrial shares	917,598.	885,240.
Dividend receivable and accrued interest	28,140.	51,224.
Accounts receivable	904,362.	188,929.
Concentrates in stock, valued at estimated net returns under current contracts	562,784.	1,871,865.
Mining and milling supplies, valued at average cost	291,629.	495,925.
Prepaid expenses	19,704.	34,067.
	<u>6,996,720.</u>	<u>7,036,022.</u>
 SPECIAL REFUNDABLE TAX	 21,856.	 —
 INVESTMENTS IN AFFILIATED COMPANIES — Annex II:		
Shares at market value	10,242,546.	13,181,306.
Shares valued as per shareholders' equity on 1966 balance sheet — at cost in 1965: Cupra Mines Ltd.	1,539,501.	165,000.
Other shares at cost	848,256.	728,879.
Loans and advances	5,067,110.	2,396,858.
	<u>17,697,413.</u>	<u>16,472,043.</u>
 ADVANCES AND OTHER SECURITIES	 12,006.	 6,010.
 FIXED ASSETS:		
Mining claims at cost	340,348.	340,348.
Buildings, plant and equipment at cost less accumulated depreciation of \$259,802 — Annex III	332,581.	337,243.
	<u>672,929.</u>	<u>677,591.</u>
 OUTSIDE EXPLORATION EXPENDITURES less amounts written off	 495,753.	 463,953.
	<u>\$25,896,677.</u>	<u>\$24,655,619.</u>

Approved on behalf of the Board of Directors
PIERRE BEAUCHEMIN
J.-JACQUES BEAUCHEMIN

AUDITORS' REPORT TO THE SHAREHOLDERS

CONSOLIDATED BALANCE SHEET

as at August 31, 1966

(With comparative figures as at August 31, 1965)

LIABILITIES

CURRENT LIABILITIES:

	August 31 1966	August 31 1965
Accounts payable and accrued expenses	\$ 163,531.	\$ 158,796.
Wages payable	15,090.	46,406.
Income taxes less instalments paid	372,733.	53,453.
Provision for Quebec mining profits tax less instalments paid	105,807.	37,263.
	<u>657,161.</u>	<u>295,918.</u>

Minority interest in subsidiary (including its portion of the unrealized appreciation on investments)	<u>329,675.</u>	<u>332,794.</u>
--	-----------------	-----------------

CAPITAL STOCK:

Authorized — 4,500,000 shares of \$1.00 par value	<u>\$4,500,000</u>	
Issued and paid — 4,250,000 shares	4,250,000.	4,250,000.

CONTRIBUTED SURPLUS — Premium on shares issued	700,503.	700,503.
--	----------	----------

RETAINED PROFITS, as per statement 2	<u>11,812,404.</u>	<u>9,121,532.</u>
--	--------------------	-------------------

	<u>16,762,907.</u>	<u>14,072,035.</u>
--	--------------------	--------------------

UNREALIZED APPRECIATION on investments	<u>8,146,934.</u>	<u>9,954,872.</u>
--	-------------------	-------------------

SHAREHOLDERS' EQUITY	<u>24,909,841.</u>	<u>24,026,907.</u>
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	<u>\$25,896,677.</u>	<u>\$24,655,619.</u>
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NOTE 1 — Annex I: Statement of source and application of funds.

NOTE 2 — Annex II: Schedule of investments.

NOTE 3 — Annex III: Cost of buildings, plant and equipment.

We have examined the consolidated balance sheet of East Sullivan Mines Limited (No Personal Liability) and its subsidiary as at August 31, 1966 and the related consolidated statements of operations, retained profits and contributed surplus for the year ended on that date and we have received all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion and according to the best of our information and the explanations given to us and as shown by the books of the Companies, the annexed consolidated balance sheet and consolidated statements of operations, retained profits and contributed surplus, supplemented by the notes to financial statements, are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the Company and its subsidiary as at August 31, 1966 and the results of their operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the previous year, except where mentioned in the cases of investments in affiliated companies and minority interest on the balance sheet.

ANDERSON & VALIQUETTE
Chartered Accountants

Montreal, October 31, 1966.

EAST SULLIVAN MINES LIMITED

(No Personal Liability)
and its subsidiary

SULLICO MINES LIMITED

(No Personal Liability)

CONSOLIDATED RETAINED PROFITS

	August 31 1966	Statement 2 August 31 1965
Balance at beginning of year	\$ 9,121,532.	\$ 8,853,611.
ADD: Consolidated net profit for the year	4,831,453.	2,212,527.
	<u>13,952,985.</u>	<u>11,066,138.</u>
DEDUCT: Dividends paid	2,125,000.	1,943,509.
Net adjustment from acquisition of shares in subsidiary	15,581.	1,097.
	<u>2,140,581.</u>	<u>1,944,606.</u>
Balance as at August 31, carried to Balance Sheet	<u>\$11,812,404.</u>	<u>\$ 9,121,532.</u>

Annex I

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

CURRENT ASSETS as at August 31, 1965	\$7,036,022.	
CURRENT LIABILITIES as at August 31, 1965	<u>295,918.</u>	\$6,740,104.
SOURCE OF FUNDS:		
Net profit for the year	4,845,861.	
Portion of profit: Minority interests in subsidiary	53,143.	
Depreciation	40,838.	
Sale of fixed assets — net	3,932.	
Mortgage reimbursed	<u>5,000.</u>	4,948,774.
		<u>11,688,878.</u>
APPLICATION OF FUNDS:		
Dividends paid	2,125,000.	
Dividends paid to minority interests	30,495.	
Purchase of shares from minority interests	23,419.	
Purchase of shares in affiliated companies	134,614.	
Advances to affiliated companies	2,670,252.	
Additions to fixed assets	40,108.	
Deferred outside exploration expenditures	31,800.	
Net decrease in the appreciation in value of marketable securities	259,769.	
Special refundable tax	21,856.	
Purchase of mining shares	<u>12,006.</u>	5,349,319.
		<u>\$ 6,339,559.</u>
CURRENT ASSETS as at August 31, 1966	6,996,720.	
CURRENT LIABILITIES as at August 31, 1966	<u>657,161.</u>	
Consolidated working capital as at August 31, 1966		<u>\$ 6,339,559.</u>

CONSOLIDATED STATEMENT OF OPERATIONS

for the year ended August 31, 1966

(With comparative figures as at August 31, 1965)

	August 31 1966	August 31 1965
REVENUE FROM METAL RECOVERIES — production	\$ 5,113,174.	\$ 4,361,402.
LESS: Cost of realization, brokerage and freight	<u>1,033,987.</u>	<u>1,253,258.</u>
	<u>4,079,187.</u>	<u>3,108,144.</u>
DEDUCT:		
Development and exploration expenses	11,262.	11,792.
Mining expense	1,056,919.	1,120,886.
Milling expense	676,422.	704,951.
General mine overhead	280,906.	253,613.
Depreciation of buildings, plant and equipment	40,838.	38,097.
General administration expense	<u>103,158.</u>	<u>106,148.</u>
	<u>2,169,505.</u>	<u>2,235,487.</u>
OPERATING PROFIT	<u>1,909,682.</u>	<u>872,657.</u>
Outside exploration expenditures written off	249,118.	128,334.
Net loss on sales of buildings and equipment	<u>723.</u>	<u>10,939.</u>
	<u>249,841.</u>	<u>139,273.</u>
	<u>1,659,841.</u>	<u>733,384.</u>
OTHER INCOME:		
Dividends	3,714,665.	1,547,007.
Interest	141,331.	208,066.
Profit on bonds matured and sold	30,316.	18,303.
Profit on sales of shares in affiliated company	<u>20,168.</u>	<u>20,168.</u>
	<u>3,886,312.</u>	<u>1,793,544.</u>
PROFITS BEFORE TAXES	<u>5,546,153.</u>	<u>2,526,928.</u>
Provision for Quebec mining tax	120,807.	37,306.
Provision for income taxes	<u>526,342.</u>	<u>244,824.</u>
	<u>647,149.</u>	<u>282,130.</u>
	<u>4,899,004.</u>	<u>2,244,798.</u>
DEDUCT: Portion pertaining to minority interests	<u>67,551.</u>	<u>32,271.</u>
CONSOLIDATED NET PROFIT FOR THE YEAR, carried to Retained Profits	<u>\$ 4,831,453.</u>	<u>\$ 2,212,527.</u>

EAST SULLIVAN MINES LIMITED

(No Personal Liability)
and its subsidiary

SULLICO MINES LIMITED

(No Personal Liability)

SCHEDULE OF INVESTMENTS

as at August 31, 1966

Annex II

MARKETABLE SECURITIES:

	Cost	Market value
Bonds	\$2,331,978.	\$ 2,293,827.
Shares:		
Banks	421,988.	540,810.
Public utilities	311,403.	299,904.
Industries	29,287.	40,283.
Trust and financial institutions	34,180.	36,601.
	<u>\$ 796,858.</u>	<u>\$ 917,598.</u>

	Shares held	Market price as at August 31 1966		
AFFILIATED COMPANIES:				
Hastings Mining & Development Co. Ltd.	2,064,154	\$1.90	405,792.	3,921,893.
Sullivan Consolidated Mines Ltd.	1,141,150	4.55	2,025,121.	5,192,232.
Quebec Lithium Corporation	392,350	2.30	786,682.	902,405.
Courvan Mining Co. Ltd.	1,255,643	0.18	220,730.	226,016.
			<u>\$3,438,325.</u>	<u>\$10,242,546.</u>

CUPRA MINES LTD.:

Valued as per shareholders' equity on 1966 balance sheet—				
cost in 1965	1,800,000		\$ 165,000.	\$ 1,539,501.

OTHER SHARES AT COST:

Eastern Explorers Corp.	366,667*	12,194.	} No current market value ***
Federal Metals Corp.	1,135,870**	589,396.	
Nigadoo River Mines Ltd.	1,512,830	107,518.	
Peninsula Metals Corp.	200,000*	19,771.	
D'Estrie Mining Co. Ltd.	1,193,710	119,377.	
		<u>\$ 848,256.</u>	

SUNDRIES:

Clinton Copper Mines Ltd. 4% pfd.	12,006	12,006.
Clinton Copper Mines Ltd.	68,755	—

LOANS AND ADVANCES:

Cupra Mines Ltd.	2,350,000.
D'Estrie Mining Co. Ltd.	210,000.
Nigadoo River Mines Ltd.	2,503,560.
Sundries	3,550.
	<u>\$5,067,110.</u>

*All pooled shares.

**Including 135,870 pooled shares.

***The expression "No current market value" is not meant to imply that these shares are without market value.

COST OF BUILDINGS, PLANT AND EQUIPMENT

Annex III

Buildings, plant and equipment at cost July 31, 1960		\$ 76,122.
Acquisition from East Sullivan Mines Ltd. as at July 31, 1960:		
Buildings, plant and equipment at cost	\$6,398,669.	
Less: Accumulated depreciation	<u>5,952,335.</u>	446,334.
Additions since August 1, 1960 to August 31, 1965 at cost, less disposals		69,927.
Buildings, plant and equipment as at August 31, 1966 at cost		592,383.
Accumulated depreciation as at July 31, 1960	19,952.	
Accumulated depreciation from August 1, 1960 to August 31, 1966 less disposals	<u>239,850.</u>	259,802.
		<u>\$ 332,581.</u>

SUMMARY:

Buildings, plant and equipment at cost	6,544,718.	
Less: Accumulated depreciation	<u>6,212,137.</u>	\$ 332,581.

MINE MANAGER'S REPORT

October 11, 1966

The President and Directors,
SULLICO MINES LIMITED (N.P.L.)

Gentlemen:

The present report covers the operations at your property for the year ended August 31, 1966.

PRODUCTION

Metal	Weight	Value
Copper.....	8,601,171 lbs	\$4,976,454.
Gold.....	1,789 ozs	57,031.
Silver.....	55,937 ozs	79,689.

DEVELOPMENT

Drifting, Cross Cutting, Raising.....	2,695 feet
Blast Hole Diamond Drilling.....	25,757 feet

MILLING

The mill treated 793,889 tons of ore averaging 0.614 % Copper, 0.0029 ounce of gold and 0.132 ounce of silver during the year, compared to 993,321 tons the previous year.

ORE RESERVES

The ore reserves at September 1st, 1966 are estimated at 165,000 tons grading 0.65% copper.

GENERAL

The continuing high price of copper has permitted the mine to operate longer than expected.

The life of the mine is now depending on two small zones of fair grade ore, namely the 6 "C" and the 25 "J". These will be exhausted in a few months.

Respectfully submitted,

J. P. BONNEVILLE, Eng.,
Mine Manager

HASTINGS MINING AND DEVELOPMENT CO. LTD.

(No Personal Liability)

BOARD OF DIRECTORS

Dr. Pierre Beauchemin
President

Jean Beauchemin
Vice-President

Lucien C. Béliveau, Eng.
General Manager

André Beauchemin, Eng.
Secretary-Treasurer

J. Jacques Beauchemin, Attorney

Lt. Col. J. Roméo Gauvreau, Eng.

Maurice Scott, Eng.
Consulting Geologist

OTHER OFFICERS

Réal J. Lafleur,
Assistant Secretary-Treasurer

R. B. Gosselin, Eng.
Mine Manager

AUDITORS

Beaulac, Hotte, Langlois,
Bennett & Tétreault
Montreal, Que.

BANK

National Canadian Bank

TRANSFER AGENTS

Guaranty Trust Company of Canada
Montreal and Toronto

LISTED

Canadian Stock Exchange
Toronto Stock Exchange

MINE OFFICE

Stratford Center, Que.

HEAD OFFICE

Suite 1403, 507 Place d'Armes
Montreal, Que.

ANNUAL MEETING

December 7, 1966 at 11.00 a.m.
Windsor Hotel, Montreal, Que.

DIRECTORS' REPORT

November 4, 1966

HASTINGS MINING AND DEVELOPMENT CO. LTD.

The Board of Directors hereby submits the ninth annual report, covering the operations of your Company during the fiscal year ended August 31, 1966.

PROFITS

The net profit for the period under review amounted to \$2,194,642, compared to \$6,229,145, the previous year. Even though only 224,366 tons of ore were treated at Solbec during the year compared to 497,268 tons, the abnormally high selling prices for copper together with the revenues from the custom treatment of the Cupra ores resulted in a net operating profit of \$3,213,134. Other non operating revenues amounting to \$492,463. included dividends of \$350,000. received from Cupra Mines Ltd.

ORE RESERVES

The Solbec ore reserves, at September 1, 1966, were estimated at 426,358 and represent approximately two more years of operations. Exploration work done on the property gave negative results.

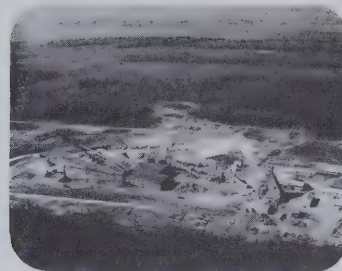
LABOUR RELATIONS

After a five months' strike in 1963, Solbec signed a three year labour agreement whereby the employees were granted an immediate 11% increase in wages followed by a 3% increase the second year. The salary clause was renegotiable the third year and your directors granted an increase of 20% to avert a new walk-out. This agreement expired in July 1966.

Negotiations leading to a renewal of the labour agreement were unsuccessful. The employees having authorized their local to call a strike made extraordinary and unreasonable demands, so your Directors decided to close the property till such time as a reasonable agreement is signed. One can hardly justify ratification of thirty-five per cent wage increases every three years.

The employees have been picketing the Solbec property since September 9, 1966.

SOLBEC



DIVIDENDS

Dividends paid during the fiscal year amounted to \$3,000,000. representing \$0.60 per share. Dividends are now paid on a quarterly basis, the first of such payments being \$0.10 per share was paid on September 19, 1966. Since the inception of the company, a total of \$7,500,000. has been distributed to the shareholders, representing \$1.50 per share.

NEW PROPERTY

Your company participates with Sullico Mines Limited, Sullivan Consolidated Mines Limited and Quebec Lithium Corporation in the evaluation of a mining property located in Northumberland Township, New Brunswick. Following the terms of an option signed with Chesterville Mines Limited in March 1966, each of the four companies of the Sullivan mining group will receive 19.4% of a new company to be incorporated, if the option is fully exercised.

Surface diamond drilling totalling approximately 25,000 feet, has indicated the presence of nearly 2,000,000 tons of potential open-pit ore. The calculated average grade of this zone being 0.9% copper, 2.3% zinc, 0.9% lead and 0.3 ounce of silver per ton. Preliminary tests also indicate appreciable quantities of cadmium and bismuth.

Previous diamond drilling had also indicated the extension at depth of this copper mineralized zone over a length of 2,500 feet and a width of 500 feet. The tonnage of this zone could possibly add up to more than 1,000,000 tons grading 1.7% copper. The quantities mentioned above are subject to revision after the study of the property is completed.

Your directors consider this property as a valuable prospect.

The annual meeting of the Shareholders will be held at the Windsor Hotel in Montreal, Quebec, on December 7, 1966. The shareholders are cordially invited to attend.

Your Directors wish to express their appreciation to the officers and personnel of your company for their loyal services.

On behalf of the Board of Directors,



President

HASTINGS MINING AND DEVELOPMENT CO. LTD.

(No Personal Liability)
and its subsidiary

SOLBEC COPPER MINES, LTD.

(No Personal Liability)

(Incorporated under the Quebec Mining Companies' Act)

	August 31 1966	August 31 1965
CURRENT ASSETS:		
Cash on hand and in bank	\$ 712,436.	\$ 23,784.
Time deposits	2,300,000.	120,000.
Marketable securities at market value		
Bonds (1965 at cost)	1,481,173.	1,571,862.
Shares	10,000.	—
Accrued interest receivable	36,784.	10,096.
Accounts receivable	278,336.	140,608.
Concentrates in stockpile, at smelter, and in transit, valued on basis of estimated net returns under sales contracts	828,363.	3,484,919.
Mining and milling supplies valued at average cost	567,108.	448,301.
Prepaid expenses	10,982.	7,645.
	<u>6,225,182.</u>	<u>5,807,215.</u>
 SPECIAL REFUNDABLE TAX	 <u>49,114.</u>	 <u>—</u>
 INVESTMENTS:		
300,000 shares, Cupra Mines Ltd. as per shareholders' equity on 1966 balance sheet, 1965 at cost	256,583.	19,285.
Other securities	5,140.	—
	<u>261,723.</u>	<u>19,285.</u>
 FIXED ASSETS:		
Mining properties at cost	111,070.	111,070.
Buildings, plant and equipment at cost less accumulated depreciation of \$1,438,521	1,608,667.	1,768,245.
	<u>1,719,737.</u>	<u>1,879,315.</u>
 PRE-MILLING EXPENSES less amortization	 51,373.	 380,636.
OUTSIDE EXPLORATION EXPENSES less amortization	19,899.	23,947.
	<u>\$8,327,028.</u>	<u>\$8,110,398.</u>

Approved on behalf of the Board of Directors
PIERRE BEAUCHEMIN
J.-JACQUES BEAUCHEMIN

AUDITORS' REPORT TO THE SHAREHOLDERS

CONSOLIDATED BALANCE SHEET

as at August 31, 1966

(With comparative figures as at August 31, 1965)

LIABILITIES

	August 31 1966	August 31 1965
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 310,150.	\$ 163,404.
Wages payable	44,518.	12,904.
Provision for income taxes less instalments thereon	970,337.	—
Provision for Quebec Mining tax less instalments thereon	168,593.	442,625.
Special refundable tax.	714.	—
	<u>1,494,312.</u>	<u>618,933.</u>
CAPITAL STOCK:		
Authorized, issued and fully paid 5,000,000 shares of \$1.00, par value	5,000,000.	5,000,000.
LESS: discount thereon	<u>4,508,495.</u>	<u>4,508,495.</u>
	491,505.	491,505.
RETAINED PROFITS as per statement	6,438,514.	7,243,872.
UNREALIZED APPRECIATION on investments	146,609.	—
	<u>7,076,628.</u>	<u>7,735,377.</u>
LESS: excess of cost over book value of subsidiary shares at date of acquisition	<u>243,912.</u>	<u>243,912.</u>
SHAREHOLDERS' EQUITY	6,832,716.	7,491,465.
	<u><u>\$8,327,028.</u></u>	<u><u>\$8,110,398.</u></u>

NOTE 1 — Source and application of funds statement attached.

We have examined the consolidated balance sheet of Hastings Mining and Development Co. Ltd. (No personal liability) and its subsidiary as at August 31, 1966 and the related consolidated statements of operations and retained profits for the year ended on that date and we have received all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion and according to the best of our information and the explanations given to us and as shown by the books of the Companies, the annexed consolidated balance sheet and consolidated statements of operations and retained profits, supplemented by the notes to financial statements, are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the Company and its subsidiary as at August 31, 1966 and the results of their operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the previous year.

BEAULAC, HOTTE, LANGLOIS, BENNETT & TÉTREAULT
Chartered Accountants

Montreal, October 31, 1966.

HASTINGS MINING AND DEVELOPMENT CO. LTD.

(No Personal Liability)
and its subsidiary

SOLBEC COPPER MINES, LTD.

(No Personal Liability)

CONSOLIDATED STATEMENT OF RETAINED PROFITS

	August 31 1966	August 31 1965
BALANCE AT THE BEGINNING OF THE YEAR	\$7,243,872.	\$ 4,018,219.
ADD: Consolidated net profit for the year	<u>2,194,642.</u>	<u>6,229,145.</u>
	9,438,514.	10,247,364.
DEDUCT: Dividends paid	3,000,000.	3,000,000.
Organization expenses	<u>—</u>	<u>3,492.</u>
BALANCE at the end of the year	<u>\$ 6,438,514.</u>	<u>\$ 7,243,872.</u>

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

CURRENT ASSETS, August 31, 1965	\$5,807,215.	
CURRENT LIABILITIES, August 31, 1965	<u>618,932.</u>	\$5,188,283.
SOURCE OF FUNDS:		
Net profit for the year	2,194,642.	
Depreciation	393,264.	
Amortization, pre-milling expenses	329,262.	
Amortization and realization outside exploration	<u>23,947.</u>	<u>2,941,115.</u>
		8,129,398.
APPLICATION OF FUNDS:		
Adjustment — marketable securities	90,689.	
Dividends paid	3,000,000.	
Special Refundable Tax	49,114.	
Increase in fixed assets — Net	215,199.	
Increase in investments	5,140.	
Increase in outside exploration	19,899.	
Adjustment to depreciation reserve	<u>18,487.</u>	<u>3,398,528.</u>
CURRENT ASSETS August 31, 1966	6,225,182.	
CURRENT LIABILITIES August 31, 1966	<u>1,494,312.</u>	
WORKING CAPITAL, as at August 31, 1966		<u>\$ 4,730,870.</u>

CONSOLIDATED STATEMENT OF OPERATIONS

for the year ended August 31, 1966

(With comparative figures as at August 31, 1965)

	August 31 1966	August 31 1965
REVENUE FROM METAL RECOVERIES — Production	\$7,635,911.	\$14,160,025.
LESS: cost of realization and freight	<u>2,376,667.</u>	<u>4,544,921.</u>
	<u>5,259,244.</u>	<u>9,615,104.</u>
DEDUCT:		
Development and exploration expenses	50,948.	224,595.
Mining expense	908,483.	1,081,342.
Milling expense	370,377.	645,241.
General mine overhead	152,534.	115,150.
General administration expenses	81,180.	71,290.
Depreciation of buildings, plant and equipment.	393,264.	354,742.
Amortization of pre-milling expenses	<u>329,262.</u>	<u>497,268.</u>
	<u>2,286,048.</u>	<u>2,989,628.</u>
OPERATING PROFIT	<u>2,973,196.</u>	<u>6,625,476.</u>
Amortization of outside exploration expenditures	17,953.	
Loss on sale of equipment	<u>557.</u>	
	<u>18,510.</u>	
	2,954,686.	
Revenue from custom milling and administration	<u>258,448.</u>	<u>26,520.</u>
	<u>3,213,134.</u>	<u>6,651,996.</u>
OTHER INCOME:		
Dividends	350,071.	
Interest	<u>142,392.</u>	<u>24,967.</u>
	<u>492,463.</u>	
	3,705,597.	6,676,963.
OTHER DEDUCTION:		
Interest expenses	<u>—</u>	<u>5,818.</u>
PROFIT BEFORE TAXES	<u>3,705,597.</u>	<u>6,671,145.</u>
Provision for Quebec Mining Tax	210,618.	442,000.
Provision for income taxes	<u>1,300,337.</u>	<u>—</u>
	<u>1,510,955.</u>	<u>442,000.</u>
CONSOLIDATED NET PROFIT FOR THE YEAR		
carried to Retained Profits	<u>\$2,194,642.</u>	<u>\$ 6,229,145.</u>

MINE MANAGER'S REPORT

October 5, 1966

The President and Directors,
SOLBEC COPPER MINES, LTD. (N.P.L.)

Gentlemen:

The present report covers the operations at your property for the fiscal year ended August 31, 1966.

PRODUCTION

Metal	Weight	Value
Copper.....	5,226,810 lbs.	\$4,075,518.
Zinc.....	18,189,135 lbs.	2,533,475.
Lead.....	2,559,927 lbs.	346,403.
Gold.....	2,615.68 ozs.	98,618.
Silver.....	251,629.23 ozs.	349,856.
Cadmium.....	87,632.18 lbs.	232,041.

MILLING

The mill treated 224,366 tons of ore, for a daily average of 615 tons. Grade of the ore averaged 1.46% Copper, 5.35% Zinc, 0.86% Lead, 0.025 ounce of Gold and 1.91 ounces of Silver per ton.

DEVELOPMENT

The following development work was done during the year.

Drifting, Crosscutting, Raising.....	1,012 ft.
Diamond Drilling.....	8,986 ft.
Stope Preparation.....	714 ft.

ORE RESERVES

The ore reserves at September 1st, 1966, amounted to 426,538 tons grading 1.39% Copper, 4.81% Zinc, 0.74% Lead, 0.022 ounce of Gold and 1.62 ounces of Silver per ton.

REMARKS

The tonnage mined was reduced considerably during the year in order to achieve a rational extraction of existing reserves and to permit the milling of the Cupra ores in the Solbec Mill.

Development work, especially diamond drilling, done purposely to discover additional ore gave no encouraging results.

During the year industrial relations were most favorable. However negotiations, leading to a renewal of a collective agreement expired on July 23rd, were unsuccessful and after the company locked out on September 9, 1966, the employees also decided to strike.

A large storage shed (120' x 300') with a capacity of 30,000 tons of concentrates was built on the Property. This building prevents serious wind losses of concentrates and reduces the expense of drying these concentrates which are now sheltered.

I wish to express my thanks to the president, the directors, and the general manager for their assistance and guidance throughout the year and also to the operating staff.

Respectfully submitted,

R. B. GOSSELIN, Eng.,
Mine Manager

CUPRA MINES LTD.

(No Personal Liability)

BOARD OF DIRECTORS

Dr. Pierre Beauchemin
President

J. Jacques Beauchemin, Attorney
Vice-President

Lucien C. Béliveau, Eng.
General Manager

André Beauchemin, Eng.
Secretary-Treasurer

Claude Beauchemin, Attorney

Gendron Beauchemin, Eng.

Lt. Col. J. Roméo Gauvreau, Eng.

OTHER OFFICERS

Réal J. Lafleur,
Assistant Secretary-Treasurer

R. B. Gosselin, Eng.
Mine Manager

Maurice Scott, Eng.
Consulting Geologist

AUDITORS

Beulac, Hotte, Langlois,
Bennett & Tétreault
Montreal, Que.

BANK

National Canadian Bank

MINE OFFICE

Stratford Center, Que.

HEAD OFFICE

Suite 1403, 507 Place d'Armes
Montreal, Que.

DIRECTORS' REPORT

October 5, 1966

CUPRA MINES LTD.

The Board of Directors hereby submits the fifth annual report, covering the operations of your company during the fiscal year ended August 31, 1966.

PROFITS

Your company started production on September 20, 1965. During this eleven months' period, 236,507 tons of ore were extracted and treated at the nearby mill of Solbec Copper Mines, Ltd. The net profit amounted to \$5,768,329, after deducting \$560,082. for depreciation and amortization and providing \$625,306. for Quebec mining duties.

The abnormally high selling prices for copper contributed substantially to these excellent results. The average price received for copper was \$0.63 canadian funds per pound.

In accordance with the laws favouring the development of new mines, your company is exempted from both Federal and Provincial income taxes for a thirty-six month period, which started on October 1, 1965.

DIVIDENDS

Dividends totalling \$3,500,000. were paid during the year. The dividend policy adopted by your Directors takes into account the profit potential of your company for the next four years. The advances made by Sullico Mines Limited and Sullivan Consolidated Mines Limited should progressively be repaid within the next two years.

CUPRA



WHOLLY OWNED BY THE SULLIVAN MINING GROUP

Your company is effectively owned by the three following companies:

EAST SULLIVAN MINES LIMITED, through its affiliate Sullico Mines Limited

SULLIVAN CONSOLIDATED MINES LIMITED

HASTINGS MINING AND DEVELOPMENT CO. LTD.

Their direct respective interest is: 60% — 30% — and 10%, while their net effective interest, because of the interlocking interests within the Sullivan Mining Group, is respectively: 80% — 63% — and 10%.

The above mentioned companies are owned by approximately 17,000 shareholders.

GENERAL

The presently known ore reserves of the company, should allow the milling of approximately 250,000 tons per year for the next four years.

The ore deposit of the Company extends downwards into the property of D'Estrie Mining Company Ltd., which will eventually replace your company as a producer within the Sullivan Mining Group.

Your Directors wish to express their appreciation to the officers and personnel of your company for their loyal services.

On Behalf of the Board of Directors,

Sime Duchemin

President

CUPRA MINES LTD.

(No Personal Liability)

(Incorporated under the Quebec Mining Companies' Act)

ASSETS

	August 31 1966	August 31 1965
CURRENT ASSETS:		
Cash on hand and in bank	\$ 486,972.	\$ 4,968.
Accounts receivable	237,836.	57,345.
Accrued interest	625.	—
Prepaid expenses	8,361.	374.
Concentrates in stockpile, at smelter and in transit, valued on basis of estimated net returns under sales contracts	<u>2,104,725.</u>	<u>—</u>
	<u>2,838,519.</u>	<u>62,687.</u>
 SPECIAL REFUNDABLE TAX	 <u>102,277.</u>	 <u>—</u>
 FIXED ASSETS, at cost:		
Mining properties	84,636.	80,220.
Buildings, plant and equipment less accumulated depreciation of \$205,322	<u>1,163,491.</u>	<u>841,558.</u>
	<u>1,248,127.</u>	<u>921,778.</u>
 PRE-MILLING EXPENSES less amortization	 1,738,384.	 2,045,213.
ORGANIZATION EXPENSES	<u>—</u>	<u>2,500.</u>
	<u><u>\$5,927,307.</u></u>	<u><u>\$3,032,178.</u></u>

Approved on behalf of the Board of Directors
JEAN BEAUCHEMIN
MAURICE SCOTT

AUDITORS' REPORT TO THE SHAREHOLDERS

BALANCE SHEET

as at August 31, 1966

(With comparative figures as at August 31, 1965)

LIABILITIES

	August 31 1966	August 31 1965
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 273,926.	\$ 90,719.
Wages payable	49,963.	18,848.
Accrued interest payable	—	93,605.
Province of Quebec mining tax less instalments thereon	385,306.	—
Special refundable tax	2,277.	—
	<u>711,472.</u>	<u>203,172.</u>
LOANS AND ADVANCES — Parent companies	<u>2,650,000.</u>	<u>2,529,000.</u>
CAPITAL STOCK:		
Authorized, issued and fully paid 3,000,000 shares of \$1.00 par value	3,000,000.	3,000,000.
Less: Discount thereon	<u>2,699,994.</u>	<u>2,699,994.</u>
	300,006.	300,006.
RETAINED PROFITS as per attached statement	<u>2,265,829.</u>	<u>—</u>
SHAREHOLDERS' EQUITY	<u>2,565,835.</u>	<u>300,006.</u>
	<u>\$5,927,307.</u>	<u>\$3,032,178.</u>

NOTE 1 — See attached statement of source and application of funds.

NOTE 2 — The 36 month tax exempt period began October 1, 1965.

We have examined the balance sheet of Cupra Mines Ltd. (No personal liability) as at August 31, 1966 and the related Statements of operations and retained profits for the year ended on that date and we have received all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion and according to the best of our information and the explanations given to us and as shown by the books of the Company, the above balance sheet and attached statements of operations and of retained profits, supplemented by the notes to financial statements, are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company as at August 31, 1966 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the previous year.

BEAULAC, HOTTE, LANGLOIS, BENNETT & TÉTREAU
Chartered Accountants

Montreal, October 31, 1966.

CUPRA MINES LTD.

(No Personal Liability)

STATEMENT OF RETAINED PROFITS

NET PROFIT FOR THE YEAR		\$5,768,329.
DEDUCT:		
Dividends paid	\$3,500,000.	
Organization expenses written off	<u>2,500.</u>	<u>3,502,500.</u>
BALANCE at the end of the year		<u><u>\$2,265,829.</u></u>

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

CURRENT LIABILITIES August 31, 1965	\$ 203,172.	
CURRENT ASSETS, August 31, 1965	<u>62,687.</u>	\$140,485.
SOURCE OF FUNDS:		
Net profit for the year	5,768,329.	
Depreciation	205,322.	
Amortization pre-milling expenses	354,761.	
Increase in loans from affiliated company	<u>121,000.</u>	<u>6,449,412.</u>
		6,308,927.
APPLICATION OF FUNDS:		
Dividends paid	3,500,000.	
Special refundable tax	102,277.	
Additions to fixed assets	531,671.	
Additions to pre-milling expenses	<u>47,932.</u>	<u>4,181,880.</u>
CURRENT ASSETS August 31, 1966	2,838,519.	
CURRENT LIABILITIES August 31, 1966	<u>711,472.</u>	
WORKING CAPITAL, August 31, 1966		<u><u>\$2,127,047.</u></u>

STATEMENT OF OPERATIONS

for the year ended August 31, 1966

REVENUE FROM METAL RECOVERIES

PRODUCTION	\$11,356,734.	
LESS cost of realization and freight	<u>2,493,933.</u>	\$8,862,801.

DEDUCT:

Development expense	186,756.	
Mining expense	923,342.	
Milling expense	589,046.	
Ore trucking	67,349.	
General mine overhead	86,395.	
General administration expenses	40,059.	
Depreciation of buildings, plant and equipment.	205,322.	
Amortization of pre-milling expenses	<u>354,761.</u>	<u>2,453,030.</u>
OPERATING PROFIT		6,409,771.

OTHER INCOME:

Interest	<u>12,317.</u>	
		6,422,088.

OTHER DEDUCTION:

Interest expense	<u>28,453.</u>	
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PROFIT BEFORE TAXES		6,393,635.
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Provision for Quebec Mining tax	<u>625,306.</u>	
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NET PROFIT FOR THE YEAR CARRIED

to Retained Profits	<u>\$5,768,329.</u>	
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MINE MANAGER'S REPORT

October 6, 1966

The President and Directors,
CUPRA MINES LTD. (N.P.L.)

Gentlemen:

The present report covers the operations at your property for the fiscal year ended August 31, 1966.

PRODUCTION

Metal	Weight		Value
Copper.....	14,761,768	lbs.	\$9,360,965.
Zinc.....	9,936,806	lbs.	1,385,072.
Lead.....	315,810	lbs.	40,726.
Gold.....	2,796.40	ozs.	105,027.
Silver.....	240,717.39	ozs.	334,463.
Cadmium.....	50,570.43	lbs.	130,481.

MILLING

236,507 tons of ore have been treated for a daily average of 648 tons. Grade of the ore averaged 3.39% copper, 3.48% zinc, 0.47% lead, 0.019 ounce of gold and 1.38 ounces of silver per ton.

DEVELOPMENT

The following development work was done during the year.

Drifting, Crosscutting, Raising.....	7,497 ft.
Diamond Drilling.....	13,731 ft.
Stope preparation.....	1,701 ft.

ORE RESERVES

The ore reserves, at September 1, 1966, amounted to 833,719 tons grading 3.77% copper, 3.67% zinc, 0.44% lead and 0.018 ounce of gold and 1.26 ounces of silver per ton.

From the present bottom level at 2,060 feet, diamond drilling at depth indicated additional reserves to the 2,500 foot horizon amounting to 200,000 tons grading 3.03% copper, 6.96% zinc, 1.17% lead, 0.014 ounce of gold and 1.24 ounces of silver per ton.

REMARKS

During this first year of production many problems related to the flat dip of the ore and the weakness of the wall rock had to be solved to raise production from the mine up to earlier expectations.

To this end new methods of handling ore and backfill were developed, a larger hoist (8 feet) was installed and service departments were upgraded.

Labour relations were most satisfactory throughout the year. The present collective agreement expiring in December 1967 was amended to change the wage scale and work classification until December 1966.

I wish to express my thanks to the president, the directors and the general manager for their guidance and assistance throughout the year and also to the operating staff for their efficiency and loyalty.

Respectfully submitted,

R. B. GOSSELIN, Eng.,
Mine Manager

QUEBEC LITHIUM CORPORATION

(No Personal Liability)

BOARD OF DIRECTORS

Dr. Pierre Beauchemin
President

Jean Beauchemin
Vice-President

André Beauchemin, Eng.
Secretary-Treasurer
Vice-President Production and Sales

Lucien C. Béliveau, Eng.
General Manager

J. Jacques Beauchemin, Attorney

P. Ernest Beauchemin, Attorney

Lt. Col. J. Roméo Gauvreau, Eng.

OTHER OFFICERS

Réal J. Lafleur,
Assistant Secretary-Treasurer

Maurice Scott, Eng.
Consulting Geologist

AUDITORS

Anderson & Valiquette
Montreal, Que.

BANK

National Canadian Bank

TRANSFER AGENTS

Guaranty Trust Company of Canada
Montreal and Toronto

Bankers Trust Company
New York, U.S.A.

LISTED

Canadian Stock Exchange
Toronto Stock Exchange
American Stock Exchange

MINE OFFICE

Barraute, Abitibi, Que.

HEAD OFFICE

Suite 1403, 507 Place d'Armes
Montreal, Que.

ANNUAL MEETING

December 7, 1966 at 10.00 a.m.
Windsor Hotel, Montreal, Que.

DIRECTORS' REPORT

November 4, 1966

QUEBEC LITHIUM CORPORATION

Your directors hereby submit the twelfth annual report of your company together with the balance sheet as at August 31, 1966.

YOUR COMPANY AND THE LITHIUM INDUSTRY

At the time of its incorporation in 1952, the main asset of your company was its huge ore deposit. The perspective of the lithium industry was such that your management could hope to establish a prosperous and long lasting operation. Investments were made and an extensive mining and concentrating plant resulted. For the first five years, operations were financially successful.

Military requirements for lithium had caused the industry to expand by leaps and bounds; every one was then talking of the "Wonder metal" and forecasting tremendous new uses even for the civilian industry.

Then, the enthusiasm of the early years began to fade. In 1960, the U.S. Atomic Energy Commission decided not to renew the contracts involving its huge lithium requirements and normal civilian industry uses were not developing as anticipated. There were still strong hopes, though, for new markets finally to materialize which could justify the large investments plowed into the industry.

From 1960 to 1966, the enormous overcapacity stimulated competition to such an extent that the price tags for lithium products progressively dropped to unthinkable levels. The lithium industry of the world was already facing a wall.

In June 1966, a new source of lithium, cheaper than could be feasible with conventional ores and extraction processes, was confirmed by a competitor. Lithium can now be advantageously obtained directly from the natural evaporation of the brines of a dry lake in the Nevada Desert, U.S.A. This new source of lithium is most extensive and has jeopardized lithium operations depending on conventional ore deposits.

Your directors cannot anticipate profitable operations under these circumstances. In the past, too much attention was paid to new potential uses which never materialized to repeat the same performance again. Now your company will wait until sufficient improvements have taken place before considering further activities in the lithium industry.

NEW FIELD OF ACTIVITY

The capital originally paid into the treasury of your company amounted to \$4,318,817. Notwithstanding the full use of this capital for the lithium venture and after due adjustments, your company still shows a



realizable value in excess of that amount, thanks to more fortunate investments in the financing and developing of metal mines a few years ago.

In the future, your management thinks opportune to invest in this sphere of activity, where the yield looks more commensurate to the risks involved and where, in particular, frequency of success is better known. With the other companies of the Sullivan Mining Group, your company will specialize in exploration and development of new metal mines.

RECENT ACQUISITION

A mining property located in Northumberland county of New Brunswick was optioned last March from Chesterville Mines Ltd. Your Company, Sullico Mines Limited, Sullivan Consolidated Mines Limited and Solbec Copper Mines, Ltd., share equally in this new venture.

If and when the option is exercised, a new company will be incorporated and the above named companies of the "Sullivan Mining Group" will share up to 77.5% of the authorized capital. The net effective interest of your company in the new company would be 23%.

Since March 1966, 25,000 feet of surface diamond drilling have been done on a zone that could be mined by open pit methods. Approximately 2 million tons of ore are indicated grading 0.9% Copper, 2.3% Zinc, 0.9% Lead and 0.3 ounce of Silver per ton. Also appreciable quantities of cadmium and bismuth have been indicated by preliminary tests.

Previous drilling had also indicated the extension of the zone at depth, for a length of 2,500 feet and a width of 500 feet. In that extension, copper is the only valuable mineral involved. Over a million tons of ore grading 1.7% can be calculated to date. Much more drilling will be required to establish the tonnage and the grade involved.

Your directors consider this property as a valuable prospect.

The annual meeting of the Shareholders will be held at the Windsor Hotel, Montreal, Quebec, on December 7, 1966. You are cordially invited to attend.

We wish to express our appreciation to the officers and personnel of your company for their loyal services.

On behalf of the Board of Directors,

René Duchemin
President

QUEBEC LITHIUM CORPORATION

(No Personal Liability)

(Incorporated under the Quebec Mining Companies' Act)

ASSETS

	August 31 1966	August 31 1965
CURRENT ASSETS:		
Cash on hand and in bank	\$ 51,034.	\$ 59,896.
Time deposits	900,000.	450,000.
Marketable securities at market value — Annex II	693,962.	54,588.
Accrued interest	10,295.	2,562.
Accounts receivable	58,213.	428,088.
Stocks: Finished products and materials in process, at the lower of cost or market	576,746.	1,130,438.
	<u>2,290,250.</u>	<u>2,125,572.</u>
DEFERRED CHARGES:		
Mining, milling and refinery supplies, valued at average cost	453,680.	501,973.
Prepaid expenses	20,244.	15,348.
	<u>473,924.</u>	<u>517,321.</u>
BROKEN ORE RESERVE STOCKS UNDERGROUND	<u>—</u>	<u>254,891.</u>
INVESTMENTS IN AFFILIATED COMPANIES — Annex II		
Shares at market value	<u>2,204,480.</u>	<u>3,436,905.</u>
REAL ESTATE AT COST	<u>111,175.</u>	<u>111,175.</u>
FIXED ASSETS:		
Mining properties at cost	154,999.	154,999.
Buildings, plant and equipment at cost less accumulated depreciation \$5,038,059, including increase of prior years' provisions	1,569,231.	5,007,418.
	<u>1,724,230.</u>	<u>5,162,417.</u>
PRE-MILLING EXPENSES less amount written off	—	495,073.
DEFERRED DEVELOPMENT AND STOPE PREPARATION EXPENSES less amount written off	—	157,970.
OUTSIDE EXPLORATION EXPENDITURES less amount written off	74,722.	28,930.
	<u>\$6,878,781.</u>	<u>\$12,290,254.</u>

Approved on behalf of the Board of Directors
 PIERRE BEAUCHEMIN
 GENDRON BEAUCHEMIN

AUDITORS' REPORT TO THE SHAREHOLDERS

BALANCE SHEET

as at August 31, 1966

(With comparative figures as at August 31, 1965)

LIABILITIES

	August 31 1966	August 31 1965
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 30,856.	\$ 106,109.
Wages payable	722.	7,319.
Instalment due December 23, 1966 on 3% mortgage payable, plus accrued interest	8,303.	8,180.
	<u>39,881.</u>	<u>121,608.</u>
MORTGAGE on real estate, bearing 3% interest, payable in annual instalments in U.S. funds and maturing December 23, 1972 (converted)	50,210.	57,400.
Less: Instalment maturing in 1966	<u>7,173.</u>	<u>7,175.</u>
	<u>43,037.</u>	<u>50,225.</u>
CAPITAL STOCK:		
Authorized — 3,000,000 shares of \$1.00 par value	<u>\$3,000,000.</u>	
Issued and fully paid — 2,550,000 shares	2,550,000.	2,550,000.
CONTRIBUTED SURPLUS — net premium on shares issued	1,768,817.	1,768,817.
RETAINED PROFITS, as per annexed statement	568,642.	4,658,010.
	<u>4,887,459.</u>	<u>8,976,827.</u>
UNREALIZED APPRECIATION on investments	1,908,404.	3,141,594.
SHAREHOLDERS' EQUITY.	<u>6,795,863.</u>	<u>12,118,421.</u>
	<u>\$6,878,781.</u>	<u>\$12,290,254.</u>

NOTE 1 — Annex I: Statement of source and application of funds.

NOTE 2 — Annex II: Schedule of investments as at August 31, 1966.

We have examined the balance sheet of Quebec Lithium Corporation (No Personal Liability) as at August 31, 1966 and the related statements of operations, retained profits and contributed surplus for the year ended on that date and we have received all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion and according to the best of our information and the explanations given to us and as shown by the books of the Company, the annexed balance sheet and statements of operations, retained profits and contributed surplus, supplemented by notes to the financial statements, are properly drawn up so as to exhibit a true and correct view of the affairs of the Company as at August 31, 1966 and the results of its operations for the year ended on that date after giving effect to the increase in depreciation for the year and also to the decrease and write-off of certain assets as requested by the Board of Directors.

Montreal, October 31, 1966.

ANDERSON & VALIQUETTE
Chartered Accountants.

QUEBEC LITHIUM CORPORATION

(No Personal Liability)

RETAINED PROFITS

	August 31 1966	August 31 1965
BALANCE AT THE BEGINNING OF THE YEAR	\$4,658,010.	\$3,415,265.
ADD: Net profit for the year ended August 31	107,122.	1,242,745.
	<u>4,765,132.</u>	<u>4,658,010.</u>
DEDUCT:		
Reduction and write-off of certain assets as requested by the Board of Directors:		
Additional depreciation to increase prior years' provisions	3,277,598.	
Broken ore reserve stocks underground	271,135.	
Pre-milling expenses, less amount written off	491,076.	
Deferred development and stope preparation expenses less amount written off	156,681.	
	<u>4,196,490.</u>	
Balance as at August 31, as per Balance Sheet	<u>\$ 568,642.</u>	<u>\$4,658,010.</u>

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Annex I

CURRENT ASSETS as at August 31, 1965	\$2,125,572.	
CURRENT LIABILITIES as at August 31, 1965	121,608.	\$2,003,964.
SOURCE OF FUNDS:		
Net profit for the year	107,122.	
Depreciation and amortization	400,184.	
Sales of shares in affiliated company	12,994.	
Decrease in warehouse supplies and prepaid expenses	43,397.	
Sales of fixed assets	28,678.	592,375.
		<u>2,596,339.</u>
APPLICATION OF FUNDS:		
Increase in broken ore reserve	16,244.	
Additions to fixed assets	262,986.	
Outside exploration	45,792.	
Instalment on mortgage payable	7,190.	
Net decrease in the unrealized appreciation in value of investments	13,758.	345,970.
CURRENT ASSETS as at August 31, 1966	2,290,250.	
CURRENT LIABILITIES as at August 31, 1966	39,881.	
WORKING CAPITAL as at August 31, 1966		<u>\$2,250,369.</u>

SCHEDULE OF INVESTMENTS

as at August 31, 1966

MARKETABLE SECURITIES:

	Cost	Market value
Bonds	\$ 708,483.	\$ 693,739.
Shares	300.	223.
	<u>\$ 708,783.</u>	<u>\$ 693,962.</u>

AFFILIATED COMPANIES:

	Shares held	Market price		
Hastings Mining and Development Co. Ltd.	788,700	\$1.90	115,150.	1,498,530.
East Sullivan Mines Ltd.	100,850	7.00	166,104.	705,950.
			<u>\$ 281,254.</u>	<u>\$2,204,480.</u>

STATEMENT OF OPERATIONS

for the year ended August 31, 1966

(With comparative figures as at August 31, 1965)

	August 31 1966	August 31 1965
PRODUCTION: Finished products and materials in process — Note 3.	\$ 333,224.	\$1,379,603.
LESS: Freight and duty.	97,808.	118,949.
	<u>235,416.</u>	<u>1,260,654.</u>
DEDUCT:		
Cost at the mine including refining expenses	229,517.	1,137,274.
Depreciation of buildings, plant and equipment.	394,897.	174,960.
Portion of the operating expenses during the idle period, due to the strike — Note 3	115,610.	
Stock devaluation, including concentrates	200,626.	
Amortization of pre-milling and deferred development expenses and stope preparation expense	5,287.	51,233.
General administrative expenses	51,718.	30,669.
Marketing and technical research	16,210.	25,120.
	<u>1,013,865.</u>	<u>1,419,256.</u>
OPERATING LOSS	(778,449.)	(158,602.)
OTHER EXPENSES:		
Interest on mortgage and loans	1,558.	10,502.
	<u>(780,007.)</u>	<u>(169,104.)</u>
OTHER INCOME:		
Dividends	523,645.	640,384.
Interest	56,302.	5,647.
Profit on sale of bonds	2,000.	—
Profit on sales of shares in affiliated company	270,518.	765,818.
Profit on disposal of fixed assets	34,664.	—
	<u>887,129.</u>	<u>1,411,849.</u>
Net profit for the year, carried to Retained Profits	<u>\$ 107,122.</u>	<u>\$1,242,745.</u>

Note 3 — Production was stopped due to a strike declared on October 23, 1965 and still not settled.

OUTSIDE EXPLORATION

1965-1966

October 17, 1966

To the Directors,

THE SULLIVAN MINING GROUP

Gentlemen:

The following report on the outside exploration for the fiscal year ended August 31, 1966, is submitted for your consideration.

Total expenses amounted to \$665,508.69.

Geological mapping, geophysical surveys and geochemical soil sampling were carried out on 35 different groups of claims. Surface diamond drilling on 17 of these groups totalled 64,176 feet.

Exploration activities of your Companies took place in several districts of the province of Quebec and in the Maritime provinces as described below.

CHESTERVILLE MINES LIMITED

An option was taken this year on the Clearwater property of Chesterville Mines Limited in the District of Newcastle, New Brunswick. An interest of 77½% in the 5,223 acres property would be retained by your Companies on fully exercising the option.

Surface diamond drilling by previous owners had indicated the presence of extensive copper mineralization over an area of 600 by 5,000 feet.

Occurrences of the mineralization are described as follows:

1. A central massive zone near surface containing lead and zinc in addition to copper.
2. Disseminated copper mineralization in three zones extending at depth to the west on a 25 degree dip from the central zone area.
3. Disseminated sulphides containing lead and zinc in addition to copper in a zone occurring near surface 1,200 feet east of the central zone.

The mineralization is found in a quart-chlorite schist overlying a quartz-sericite schist.

Surface diamond drilling by your Companies, totalling to-date approximately 25,000 feet, has indicated the presence of approximately 1,800,000 tons of potential open-pit ore in the three types of occurrences described above, the calculated average grade being 0.95% copper, 2.32% zinc and 0.94% lead before dilution.

Detailed drilling is presently done in order to obtain more accurate data for feasibility studies. It appears, with information available to-date, that the ratio of ore to waste could be 1:1.

Over half of the open pit tonnage occurs in the central massive sulphide zone with a grade presently calculated at 0.64% copper, 3.46% zinc and 1.47% lead. Preliminary metallurgical tests in this zone have indicated metal recoveries of 83% copper, 80% zinc and 60% lead for saleable concentrates.

A recovery of 90% or more is indicated in the treatment of the disseminated copper mineralization.

Surface diamond drilling has also indicated the presence of two zones of disseminated sulphides containing over 1,000,000 tons grading 1.66% copper across an average width of 18 feet. They extend from a depth of 150 feet in the general area of the central zone to a depth of 400 feet.

More drilling will explore these zones at greater depth and determine the consistency of the better grade intersections.

Surrounding the main property, 5,320 acres of additional ground have been staked by your Companies.

NIGADOO RIVER MINES LIMITED

Nigadoo River Mines Limited, in which your Companies hold a large controlling interest owns a silver — lead — zinc — copper deposit situated to the north-west of Bathurst, New Brunswick. The property has now been enlarged to an acreage of 8,860 acres.

Production is foreseen for 1967 at a rate of 1,000 tons per day.

Underground development work amounts to 7,559 feet of cross-cutting and drifting and 1,960 feet of raising. Over 20,000 feet of underground diamond drilling have been used mostly as a guide to lateral development work.

At the end of July 1966, chip samples of 12 different ore lengths for a total footage of 2,190 feet have returned an average grade of 0.53% copper, 3.32% lead, 3.19% zinc and 4.78 ounces of silver per ton across an average width of 5.2 feet. These ore lengths consist of bands of nearly massive sulphides with anticipated addition of wall rock containing disseminated sulphides.

It is of interest to note that an ore length of 350 feet has been developed on the new bottom 1,550 foot level carrying 0.35% copper, 3.38% lead, 3.43% zinc and 3.33 ounces of silver per ton across an average width of 7.7 feet.

Results of underground development work to date are substantially confirming earlier ore estimates calculated at 1,390,000 tons to a vertical depth of 1,000 feet with a content of 4.36 ounces of silver per ton and 2.97% lead, 2.77% zinc and 0.34% copper across an average width of 6.8 feet. The presence of cadmium in the ore will also make a valuable contribution to smelter returns.

No underground exploration work has yet been done on promising structures parallel to the main zone.

MARITIME PROVINCES

Other main exploration activities are centered in the Jacquet River area of New Brunswick and the Cheticamp area of Nova Scotia.

Surface diamond drilling is now planned for some properties of these areas in the investigation of surface mineral showings and geophysical anomalies.

D'ESTRIE MINING COMPANY LTD.

D'Estrie Mining Company Ltd. is the owner of the mining concession No. 496 situated in the Stratford township of the Eastern Townships of Quebec. Sullivan Consolidated Mines Limited and Sullico Mines Limited hold respective interests of $\frac{1}{3}$ and $\frac{2}{3}$ in D'Estrie.

The ore deposit of Cupra Mines Ltd. enters the D'Estrie property at a vertical depth at 2,520 feet.

Eleven diamond drill holes on the D'Estrie property have to-date intersected the extension of this ore deposit to a vertical depth of 3,100, indicating the presence of 300,000 tons of ore with a grade of 3.81% in copper, 4.25% in zinc, 0.94% in lead, 0.015 ounce of gold and 1.31 ounces of silver per ton across an average true width of 5 feet. The ore is still open at depth.

An internal vertical shaft is now being sunk starting from the extension of an underground Cupra drive into the D'Estrie property on the 2,050 foot level. The ultimate depth of the shaft is 2,000 feet and it has now reached a depth of 70 feet.

QUEBEC EASTERN TOWNSHIPS

Diamond drilling of one optioned property in Leeds township has returned inconclusive results of copper values to-date. No commercial values were obtained in diamond drilling on 3 other groups mostly in the investigation of induced polarization anomalies.

Six conductors remain to be explored by diamond drilling as the results of an airborne geophysical survey which your Companies carried out in the Eastern Townships during the year 1962.

Geophysical surveys and geochemical soil sampling are in progress in some other areas.

QUEBEC GASPE

Although geophysical surveys and geochemical soil sampling did outline exploration targets on your 88 claims of Lesseps township, 23,209 feet of surface diamond drilling have failed to date to give any results of economic importance. Drilling is still in progress and various targets remain to be tested.

Expenditures during the year amounted to \$240,000.00, of which the major portion covered the highly expensive costs of diamond drilling during the winter season.

More than thirty diamond drill holes have now been completed on some of your adjacent claims held under option by Terra Nova Explorations Ltd. The drilling has returned several commercial copper grade intersections. However, additional drilling data are needed to clarify this ore picture.

We are awaiting for results of detailed geological mapping and geochemical soil sampling on your property of Federal Metals Corporation.

Sixty claims have been optioned in Joffre township.

COURVAN MINING COMPANY LIMITED

Diamond drilling alongside the eastern contact of the Bourlamaque granodiorite batholith failed to intersect any gold of commercial value.

An induced polarization survey has just been completed on the northwestern part of the property.

NORTHWESTERN QUEBEC

Diamond drilling on 6 different groups of claims gave negative results. It is recommended to resume drilling on 2 other groups in the light of a review of results obtained to date.

An optioned property has just been covered by an induced polarization survey.

Submitted by,

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Exploration Manager

